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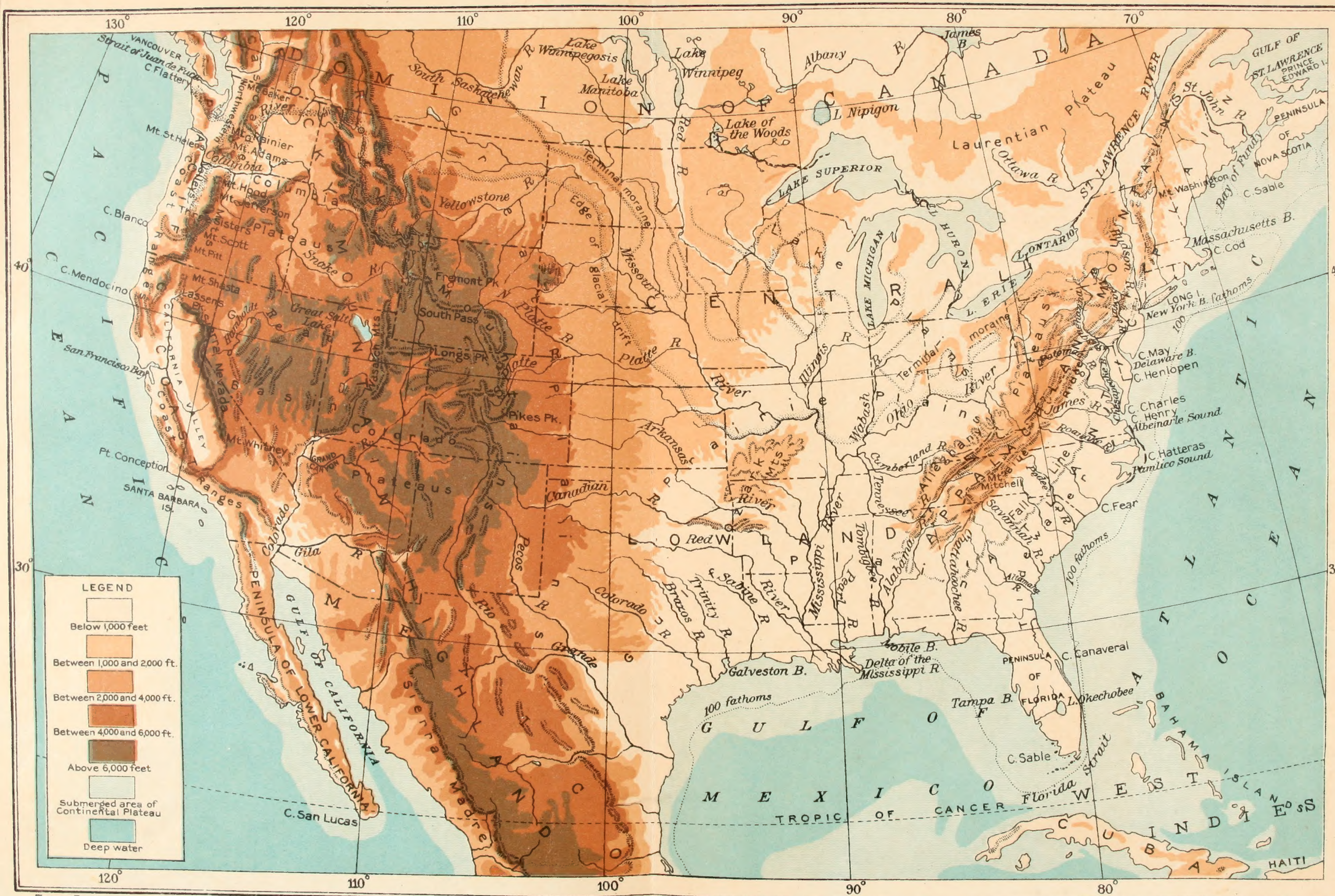
CONTRIBUTIONS TO AMERICAN ECONOMIC HISTORY

FROM THE

DEPARTMENT OF ECONOMICS AND SOCIOLOGY

OF THE

CARNEGIE INSTITUTION OF WASHINGTON



From Redway and Hinman's Natural Advanced Geography

PHYSICAL MAP OF THE UNITED STATES

History of Domestic and Foreign Commerce of the United States

BY

EMORY R. JOHNSON,

T. W. VAN METRE, G. G. HUEBNER, AND D. S. HANCHETT

With an Introductory Note by

HENRY W. FARNAM

VOLUME I

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INTRODUCTORY NOTE.

The general plan under which the Department of Economics and Sociology of the Carnegie Institution of Washington has been prosecuting its work was first outlined in 1902 by a special committee, consisting of the late Colonel Carroll D. Wright, Professor John Bates Clark of Columbia University, and the writer. In 1903 the outline was elaborated, and an appropriation was made by the trustees of the Institution for its execution. The work was begun in 1904.

The plan contemplated an extended study of the economic history of the United States, to be carried out by the cooperation of a large number of scholars. The subject was divided topically into eleven divisions, and a twelfth was added in 1906; each was placed in charge of an economist selected with particular reference to his familiarity with the topic assigned him. Within each division it was designed to secure special studies or monographs on topics not yet adequately treated in economic or historical literature, and to use these as the basis of a comprehensive treatise covering the entire subject-matter of the division. It was expected that, as a rule, each summary would be written by the head of the division, but in several cases it has been found best to assign different chapters to different authors. The title adopted for the work as a whole is *Contributions to American Economic History*. In consequence of resignations and, in the case of Colonel Wright, of death, changes have been made from time to time in the heads of four of the divisions, the organization of which since 1909 has been as follows:

Division I. Population and Immigration, Prof. Walter F. Willcox,
Division II. Agriculture and Forestry, President Kenyon L. Butterfield,
Division III. Mining, Mr. Edward W. Parker,
Division IV. Manufactures, Dr. Victor S. Clark,
Division V. Transportation, Prof. B. H. Meyer,
Division VI. Domestic and Foreign Commerce, Prof. Emory R. Johnson,
Division VII. Money and Banking, Prof. Davis R. Dewey,
Division VIII. Labor Movement, Prof. John R. Commons,
Division IX. Industrial Organization, Prof. J. W. Jenks,
Division X. Social Legislation, Prof. Henry W. Farnam,
Division XI. Federal and State Finance, Prof. Henry B. Gardner,
Division XII. The Negro in Slavery and Freedom, Mr. Alfred H. Stone.

In addition to the *Contributions to American Economic History*, it was decided to compile and publish a comprehensive index of the economic material found in the public documents of the States of the United States, and this work was intrusted to Miss Adelaide R. Hasse,

librarian in the Department of Public Documents of the Public Library of New York City. Thirteen volumes of this index have already been published by the Carnegie Institution of Washington.

Colonel Wright, besides taking charge of the Division of Labor, served as chairman of the Department, and directed the general course of its work down to the time of his death in 1909, when the writer was chosen to succeed him. During the years which have elapsed since the beginning of actual work a large amount of material has been accumulated. This is represented in part by 64 monographs published independently of the Carnegie Institution of Washington, over 70 articles published in periodicals, and about 112 still unpublished studies, besides the *Documentary History of American Industrial Society*, in 11 volumes, edited by Professor Commons and associates, and the 14 volumes of the *Index of Economic Material in Documents of the States*, referred to above.

Work of this kind is slow at best, and the completion of divisional volumes has been retarded in many cases, not only by the demands made upon the collaborators to undertake other responsibilities, but also by special mishaps. The study of the history of commerce now issued in two volumes is the first of the divisional summaries to be published.

Professor Johnson, who is the author of the first part of the book, and who has carefully directed, supervised, and edited the whole, has brought to his task an exceptional equipment. Besides filling the chair of Transportation and Commerce in the University of Pennsylvania, he has served as an expert on transportation for the Industrial Commission, as a member of the Isthmian Canal Commission, as an expert on traffic for the National Waterways Commission, as special commissioner on the Panama Canal traffic, tolls, and measurement of vessels, as well as in other important public offices. He was also, from 1901 to 1914, editor of the Annals of the American Academy of Political and Social Science. His associates in the preparation of these volumes have been taken from the teaching staff of the University of Pennsylvania, as indicated in the preface. It is hoped that the work will commend itself not only to scholars but also to general readers.

The writer is convinced that it is only by studying the past that we can understand the present and build a better future, and his work in the Carnegie Institution of Washington has served to impress him more and more with the abundance and the value of the economic experiences of the United States. But the size of the country, its diversity in soil, climate, and natural resources, the heterogeneity of its population, the articulated nature of its political organization, which in one great Federal empire embraces forty-eight commonwealths, each

pursuing its own public policy in large fields of legislation, though in others subject to the authority of the Congress, the President, and the Federal Judiciary, all create a situation the complications and contradictions of which are often baffling to the student. At the same time these very factors make the United States a vast laboratory of sociological and economic experimentation, such as no other part of the modern world can duplicate. It is the difficult yet stimulating task of the economist, first to ascertain and accurately record the facts, then to interpret them, and finally to use them as the basis of induction. While the *Contributions* are confined to the first two of these activities, it is hoped that they will supply the systematic economist with material which will be useful for the third.

HENRY W. FARNAM.

YALE UNIVERSITY, *September 1915.*

PREFACE.

This *History of Domestic and Foreign Commerce of the United States*, which constitutes one division of the *Contributions to American Economic History*, comprises two volumes. The first volume contains three parts, dealing, respectively, with "American Commerce to 1789," "The Internal Commerce of the United States," and "The Coastwise Trade." Volume II also has three parts devoted, respectively, to "The Foreign Trade of the United States Since 1789," "American Fisheries," and "Government Aid and Commercial Policy;" this volume also contains a classified bibliography, which it is hoped will prove useful to readers and special students of American commerce.

Part 1 of volume I, with the exception of chapters IX and X, was written by myself, and I intended, when the task was undertaken in 1904, to write the entire work. This proved impossible; but I have directed the investigation and edited the work of the collaborators. In the preparation of the final volumes I was most fortunate in having the assistance of Dr. T. W. Van Metre, who teaches the history of American commerce at the University of Pennsylvania, and of Dr. G. G. Huebner, assistant professor of transportation and commerce in the same institution. Dr. Van Metre wrote parts 2 and 3 of volume I and part 2 of volume II. Professor Huebner wrote part 1 of volume II, with the exception of chapter XXII, which was done by myself. Part 3 of volume II was written by Dr. David S. Hanchett, formerly assistant in transportation and commerce at the University of Pennsylvania. The author's name is attached to the part or parts written by him.

The final work, as presented in these two volumes, is based in part upon monographic studies made by collaborators. Professor S. S. Huebner and Dr. (now Assistant Professor) G. G. Huebner prepared an elaborate, and as yet unpublished, historical account of *The Foreign Trade of the United States*. Professor Thomas Conway, Jr., has written an unpublished study of *The Coastwise Commerce of the United States*. Assistant Professor Raymond McFarland, then principal of the Leicester Academy, Leicester, Mass., wrote *A History of the New England Fisheries* that was published by the University of Pennsylvania. The history of American fisheries other than those of New England was worked up by Dr. Walter Sheldon Tower, now associate professor of geography at the University of Chicago. This study of fisheries has not been published. Dr. Tower also wrote a monograph upon *A History of the American Whale Fishery* that was published by the University of Pennsylvania. Dr. Albert A. Giesecke, now Rector of the Univer-

sity of Cuzco, in Peru, wrote a monograph upon *American Commercial Legislation Before 1789* that was published by the University of Pennsylvania. Dr. Chester Lloyd Jones, now associate professor of political science at the University of Wisconsin, prepared a monograph upon *The Consular Service of the United States* that was published by the University of Pennsylvania. Dr. (now Professor) J. Russell Smith wrote a monograph upon *The Organization of Ocean Commerce*, published by the University of Pennsylvania. Later, Professor Smith elaborated this monograph into a volume upon *The Ocean Carrier*, published by G. P. Putnam's Sons.

The collaborators who prepared monographs and the authors who aided in the preparation of the final volumes have made possible the completion of this contribution to the history of American commerce. Their assistance is greatly appreciated.

Emory R. Johnson.

University of Pennsylvania, *September 1915*.

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PART ONE

AMERICAN COMMERCE TO 1789

By EMORY R. JOHNSON

CHAPTER I.

GEOGRAPHIC INFLUENCES AFFECTING THE EARLY DEVELOPMENT OF AMERICAN COMMERCE.

The development of the commerce of any country is a resultant of many causes. Social ideals, individual traits and aptitudes, the status of political organization, the legislative policies followed—each of these has had its influence; but they are neither the primary nor the most potent determinants of the nature and scope of a nation's commerce. Economic conditions are the cause of trade and they most strongly control its growth.

Social ideals may strengthen the impulse of the individual to trade and cause him to develop mercantile and maritime traits. The history of New England for more than two centuries affords a striking confirmation of this truth. The aspiration of a country to become an impregnable naval power will impel the government to give large aid to trade and shipping—a fact amply verified by the history of Japan since 1895, of Germany since 1890, and of England and Great Britain since 1650.

When social ideals, individual aptitudes, and economic conditions harmonize, and are favorable to international commerce and to the building and operation of ships, as they are to-day, to a marked degree in Great Britain and Germany and largely in Japan, legislation for the promotion of commerce and shipping may be an effective auxiliary; but when these fundamental prerequisites are wanting, as they are in great part in France, laws can accomplish but little. During the latter half of the nineteenth century the social and economic conditions controlling the investment of capital and the expansion of industry in the United States brought about a large foreign trade; but ships could not be built profitably for sale abroad or for operation in competition with vessels under the flags of other countries.

ANALYSIS OF THE CONDITIONS CONTROLLING ECONOMIC PROGRESS.

The economic conditions that control the development of industry and commerce are partly natural or geographic, and partly artificial or of man's creation. The earth, as the field of human endeavor, broadly controls what man may do; it may bestow free gifts upon mankind;

it may, and more often does, place obstacles, more or less difficult to surmount or circumvent, between man and the goal of his efforts; or it may fix definite limits beyond which it is vain to attempt to pass.

In the early life of the human race geographic control was absolute; with the progress of mankind, the dominance of mind over matter, of man over his physical surroundings, has increased with accelerating speed; so that to-day men are able to live and prosper in regions formerly uninhabitable and are able to live with far greater comfort than was formerly obtainable. Through mechanical power numerous forces of nature minister to the wants of man and enable him to free himself from many of the restraints of the world in which he lives.

Man's triumph over nature is, however, not complete; and if it were, the forces of nature and the earth's material resources would still largely control his life, because he can live only by cooperating with nature. Temperature, winds, ocean currents, soil fertility, mines, forests, land and sea life, these still regulate his economic life and largely mold his character.

At the time of the settlement of America, three centuries ago, industry and commerce were aided but slightly by the mechanical agencies which now enable men to modify, direct, and turn to their service the conditions imposed by their physical environment. Geographic conditions exercised such a strong influence upon the economic development of America that the history of American commerce should begin with a survey of the geography of the North Atlantic and the eastern part of North America. In making this survey, it will be best to consider the geographic control of both industry and commerce. As commerce is carried on chiefly to aid industry, both must receive attention in this analysis, although the presentation will, as far as possible, be made with reference to commerce.

The subject naturally divides itself into two parts: one covering the period of the seventeenth century and the larger portion of the eighteenth century, during which time the region between the Atlantic coast and the Allegheny Mountains was being settled and developed; the other part including the period of the occupation of the great country beyond the Appalachians—the Mississippi Valley and the West. The first period coincides roughly with the colonial epoch, the second with the national era. The mountains had been crossed and settlements had been made in the Ohio Valley before the Revolution—especially after the French and Indian war—but the real work of occupying the vast trans-Allegheny country was undertaken after the War of Independence.

The geographic conditions influencing the over-sea and intercolonial commerce of the section east of the Alleghenies, prior to 1789, were maritime and terrestrial. The settlement and subsequent development of America were largely influenced by the shape of the North

Atlantic, its winds, its currents, and its fisheries. The spread of population along the coast and toward the interior, the industries established in each colony, and their growth or decline, the over-sea and domestic exchange of products—these were largely determined by land factors, by the terrene of the Atlantic slope.

The maritime factors may be considered first. The narrowness of the North Atlantic and the eastward reach of the Grand Banks off Newfoundland made possible the regular pursuit of the fisheries in American waters by English, Dutch, Portuguese, and French during and after the early years of the sixteenth century. Fishing in America antedated permanent colonization by a full hundred years.

THE CONTINENTAL SHELF AND THE FISHERIES.

The Atlantic continental shelf of North America, or that part of the uplifted continent that is covered by the sea, slopes gently from the shore seaward, approximately to the line of 100 fathoms of ocean depth. From this line the descent is rapid to the abysmal area of the main floor of the Atlantic. On the southeastern edge of Florida the line of 100 fathoms' depth runs close to the shore, there being a moderate depression between Florida and the submarine plateau upon which the Bahama Islands are built. Northward from Florida the continental shelf gradually widens, with the exception of a slight narrowing of the shelf by the eastward projection of the North Carolina shore above and below Hatteras, the width off Georgia and South Carolina averaging about 100 miles. From New Jersey eastward and northward the shelf rapidly broadens until it reaches its maximum breadth of about 400 miles in the banks off Newfoundland, the only areas upon the broad shelf where the ocean is more than 100 fathoms deep being the central part of the broad bay between Cape Cod and Nova Scotia, the entrance to the Gulf of St. Lawrence between Cape Breton Island and Newfoundland, and limited portions of the Gulf itself.

The wealth of fish off the Atlantic coast of America from Long Island to the Grand Banks may be ascribed to two causes: (1) The broad "continental shelf" widening from south of the Nantucket shoals northward and eastward to the Grand Banks gives a large area of shallow ocean and provides a spacious home for the cod, mackerel, and other fish of commerce. (2) This home is rendered the more habitable and more populous—especially for the cod—by the cool water brought down from the Arctic latitudes by the Labrador current that flows past Labrador, through the Gulf of St. Lawrence, about Newfoundland, over the Grand Banks, and along Nova Scotia and the New England coast until it is overcome by its opponent, the more powerful north-flowing Gulf Stream.

The oyster and shad fisheries of the middle Atlantic seaboard are of much economic value, and there are sea fisheries of importance along

the south Atlantic and Gulf States of the United States. The oyster fisheries of Maryland are now of great value; but during colonial times the sea-food products secured along the coasts of the middle and south Atlantic colonies held a minor rank in comparison with the fish caught in the cooler waters of the broad northern continental shelf, extending seaward from New England and Canada. When one considers the limited possibilities of agriculture in New England and the wealth of life in the ocean that washes her shores, it is easy to understand why the fisheries and the trade in fish were the most important factor in the economic development of New England throughout the colonial period.

SHORE LINE AND HARBORS.

The succession of deep bays and prominent headlands along the Atlantic coast north of New Jersey forms a shore line contrasting strikingly with the generally unbroken littoral of New Jersey and of the states to the south of Virginia. From the mouth of the Hudson eastward and to the north the sea has invaded the land, submerged a former coastal plain, and made it a part of the widened continental shelf. The only parts of the former coastal plain now rising above the sea are Long Island, Nantucket, Martha's Vineyard, and the small islands in the vicinity. Indeed, the subsidence of the land northward from Cape Cod was so great as to submerge a large part of the piedmont belt of archæan rocks adjacent to which the coastal plain had been laid down in a geologically recent period. Although a subsequent slight uplift has reclaimed from the sea a fringe of land along parts of the coast, the net subsidence is such that the rugged coast of New England north of Cape Cod, of New Brunswick, Nova Scotia, and the islands beyond is broken into bays and fiords separated by bold peninsulas and guarded by outlying islands of granitic rock. At some places, as at Mount Desert Island, the mountains rise from the sea; elsewhere the low hills of the piedmont give character to the shore formation.

From New York toward the south the coast has sunk but little, and the coastal plain, widening southward, intervenes between the sea and the belt of rolling hills forming the piedmont, or Allegheny foothills. Between what are now New Jersey and North Carolina the subsidence was enough greater than it was immediately to the north and south to form the shallow estuaries of the Delaware and Chesapeake. The drowning of the lower valleys of the Delaware and of the rivers flowing into the Chesapeake provided numerous navigable waterways across the coastal plain, and gave ample harbors to a large section of country. The beds of these bays are the favorable habitat of the shellfish, the trade in which is of great value.

The continental shelf and the Atlantic shore line have exercised an easily discernible influence upon the industrial and commercial development of the American colonies. They account for New England's

long-continued leadership in the fisheries; and they, together with the land influences to be discussed presently, go far to explain why the greater attention was given by these colonies to shipping and commerce than was given to maritime pursuits by the middle and southern colonies.

Before pointing out in detail the economic results of geographic control, it will be best to consider the more important land influences upon the life and growth of the colonies. The lines of progress taken by the several colonies were determined by land and ocean influences more or less minimized or accentuated by the differences in the social forces dominant in the northern, middle, and southern sections of the country.

THE RIVERS, THE FUR TRADE, AND WATER-POWER.

The streams afforded or denied access to the unsettled and unexplored land and were the natural highways through the country after settlements had been established, they decided the rapidity or slowness of occupation, they located and conditioned the growth of the towns as centers of inland trade and as ports of maritime commerce.

The vain search made by the English, Dutch, and French navigators for the northwest passage around America to the Orient led to the exploration of practically all the large streams from the James to the St. Lawrence. Close after the explorers came the more successful fur-traders, who secured from the savages the second contribution made by America to the wealth of Europe, the gold that was obtained from the Spanish-American mainland having been the first gift of the New World to the Old.

The Hudson River became the chief center of the early fur trade. The noble stream provided a broad highway 150 miles inland, and the Mohawk brought the tidal Hudson into easy communication with a large interior section, inhabited by exceptionally thrifty and energetic tribes of Indians. For fifty years the fur trade of the Hudson Valley, and to some extent of the surrounding country, was conducted by the Dutch, who placed this trade, at least during the first half of their occupation of the country, ahead even of agriculture.

While the fur trade of the Hudson exceeded that of other rivers, the difference was mainly in degree. The Connecticut and the lesser streams of New England, the Delaware, Lehigh, Schuylkill, Susquehanna, Potomac, James, and the many tributaries of the Chesapeake floated the peltry-laden Indian canoes down to the interior and coastwise posts of the traders.

The people of New England did not give so much attention to the fur trade as did the Dutch to the west and south, nor so much as did the French on the north. In the earlier years of their colonial life the Dutch and French could make the purchase and sale of peltries their

chief business, because the Hudson and St. Lawrence made that possible. In New England, on the contrary, the rivers, with the exception of the Connecticut, were short and were rendered unnavigable, almost from their mouths up, by numerous rapids and falls. In this regard, however, New England's limitation was her good fortune. The profits derivable from the fisheries, agriculture, and commerce, and the social benefits resulting from their pursuit, so far exceed those of fur trading that the economic and social progress of a colony is hindered rather than aided by giving much of its energy and capital to trading in furs.

The fact that most of the streams of New England were small and had rapids or falls near the sea had several consequences. The settlements and towns were located near the ocean, and the early life of New England was carried on largely within sight and sound of the sea. As the settlers advanced inland and occupied the country for agriculture, they found the soils, which throughout New England were the result of glaciation, to be stony or sandy in many sections and fertile in only limited areas. The gains to be made from farming, while sufficient to cause New England to have a steady development in agriculture, did not so lure men away from the sea as to check the steady and rapid growth of fishing, ship-building, and trading. Before the colonial period came to an end the unrivaled water-power afforded by the New England rivers began to be used to a small extent for industrial purposes. Later, in the early decades of the nineteenth century, when capital had become more abundant and machinery had been improved, this water-power made New England the manufacturing center of the United States, and gave character to her entire industrial development.

GLACIATION AND ITS CONSEQUENCES.

The glacial deposits covering New England, New York, and northern New Jersey and Pennsylvania determined their soils and largely conditioned their economic activities. In New England the deep covering of glacial material made the country yield moderate or meager returns to agriculture, except in the limited areas of the alluvial soil, but to compensate for this parsimony nature was bounteous in her gift of grand forests and of ample water-power. Glaciation remodeled the drainage system, constructed numerous lake reservoirs in the river valleys, forced the streams into new channels, and sent their waters hurrying over rapids and tumbling down cataracts. The till and sand formed a thick sponge that absorbed the water falling in the copious rains and abundant snows, distributed it by filtration slowly to the streams, and gave the rivers a nearly even flow throughout the year. Thus the forests and natural harbors of New England favored ship-building and commerce, while the free gift of water-power, abundant, widely distributed, and reliable, predestined her to an industrial career.

The results of glaciation in New York and northern New Jersey and Pennsylvania differed from the results in New England. The débris left by the ice cap as it receded from New England consisted of materials worked up from rocks that made less generally fertile soils than were manufactured from the rocks which were supplied to the ice mill by the section to the west and south of the Green Mountains and the Berkshires. This is especially true of New York State, the river valleys and wide interior of which rank high in agriculture. Northern New Jersey and northeastern Pennsylvania are less fertile. The water-power resulting from glaciation west of New England was less per unit of area and in most cases was located so far inland as not to be economically available at an early date.

THE COASTAL PLAIN AND FALL LINE.

South from the valley of the Hudson the section of country between the ocean and the Allegheny front is separable into three well-marked divisions. Along the Atlantic lies the coastal plain made up of sandy or gravelly soils interspersed with areas of clay and of alluvium. This plain, narrow at the north but widening southward to a breadth of 200 miles, the remnant of one that formerly extended from the Grand Banks to the Gulf of Mexico, was laid down in the geological yesterday under the margin of the sea when the ocean reached inland to the old archæan uplift now represented by the rolling uplands of the piedmont. The submarine plain thus constructed of the materials eroded from the archæan highland was subsequently raised above the level of the sea. A recent subsidence of the coast has restored to the sea a portion of the land in the neighborhood of the Chesapeake and the lower Delaware and has enabled the ocean to regain more ground than it had lost north of Long Island; but most of the southern half of the plain remains dry land. The sands, gravels, and clays of the geologically youthful coastal belt rest upon the lower-lying old rocks of archæan antiquity, and the west-northwest, or inland, margin of the recently made plain borders directly upon the ancient piedmont.

The union of these two belts, the coastal plain and the piedmont, is clearly marked by the "fall line." Rapids and falls of moderate descent are formed as the rivers that flow across the piedmont pass from the resistant archæan rocks to the easily eroded strata of the coastal plain. The ocean tides invade each river to the fall line, and made most of the streams readily navigable for the oceangoing ships employed prior to the use of the large modern steamers. The natural and favorable location for a seaport and for a manufacturing city being at or near the head of river navigation for ocean vessels, at the point where there is power for industry and a free highway for commerce, the fall line from New York south may be traced on the map by a line passing through Trenton on the Delaware, Philadelphia between the

Schuylkill and the Delaware, Baltimore on an arm of the Chesapeake, Washington on the Potomac, and Richmond on the James. Further south the fall line passes close to Raleigh near the Neuse, Columbia on the Congaree, and Augusta on the Savannah. Raleigh is not a river city. Columbia and Augusta are at the head of steamboat navigation, but are situated too far inland on relatively small streams to have ever been the head of ocean commerce. The earlier and later cities of first importance in the Carolinas and Georgia, where the coastal plain is widest, were located near the sea., *e. g.*, Wilmington, Charleston, and Savannah.

The cities along the fall line from New Jersey to Virginia early became the commercial centers both of the coastal plain, where the earliest settlements and plantations were established, and of the piedmont, into which population easily spread by way of the many river valleys. North of Virginia the piedmont, being narrow, readily accessible, and fertile, was settled earlier than it was in and south of Virginia, although the Virginia plantations had overpassed the coastal plain long before the Revolutionary War.

To the north and east of the Chesapeake, where a small-farm agriculture prevailed, the increase and spread of population caused cities to grow up as centers of trade and industry; but in the section of the country where the land was held in plantations, trade did not center in cities, but was segregated among the plantations and small towns. Baltimore, near the head of the Chesapeake, grew not only because it was the market for Maryland, but also as a result of being an important emporium for the trade up and down the Susquehanna Valley. Even so, it did not rival Philadelphia in rate of growth during the eighteenth century.

In structure and fertility, the sandy, light soils, the alluvial river plains, and the salt and fresh water marshes of the coastal belt were in sharp contrast with the soils formed from the piedmont gneiss which disintegrated into the heavy clays, such as are found in parts of Virginia, and into the lighter micaceous and sandy clays prevalent in southeastern Pennsylvania. In general, the lands of the coastal plain, with the exception of the limited areas of alluvium, were less fertile and more easily exhausted than were those of the piedmont, but the soils near the sea had the merit of being easily brought into cultivation during those early years of settlement when the colonists were gaining a sure footing on the edge of the great New World wilderness.

The first permanent colony in America was planted on the river bottoms and the sandy uplands along the coast and between the rivers of "tidewater" Virginia. Soon thereafter the lands about the Chesapeake in Maryland were settled. On these lands the culture of tobacco in Virginia and of tobacco and cereals in Maryland was easy and profitable; and, although the light soils could not endure the improvidence

of plantation farming, there was, at least for many decades, an abundance of virgin land within the wide plantations or on the frontier to be substituted for the worn-out fields.

The early settlers on both banks of the lower Delaware found fertile soils in the alluvium and marl belts along the estuary and tidal river; and prosperous farming antedated Penn's arrival by more than forty years.

In the Carolinas and Georgia settlement began along the shores of the broad Albemarle and Pamlico Sounds—then readily entered and traversed by ocean vessels—and at the junction of the rivers with the bays by which the sea indents the coast at numerous places from Cape Fear southward. On the low coast lands rice and indigo were the crops most grown, while from the adjacent sandy uplands the pine forests provided unlimited quantities of tar, pitch, turpentine, and rosin, the "naval stores" of those days.

The main products grown or secured from the coastal plain from Delaware Bay to Florida—tobacco, rice, indigo, naval stores—were export commodities. There could be but small market for them in America; if sold at all they must be sent across the sea; hence it was that the southern colonies had a larger commerce with Europe than did the middle and New England colonies, despite the fact that the people of the northern settlements had a more diversified industrial life and engaged far more actively in maritime pursuits.

THE PIEDMONT.

In New England the piedmont extends inland from the ocean to the mountains, while from New York south the piedmont reaches inland from the fall line to the first distinct mountain ridge. This ridge includes the highlands through which the Hudson has cut its scenic course, the highlands of New Jersey, the range of hills from the Delaware below Easton to Reading on the Schuylkill, the northern half of South Mountain running southwest from Reading toward the Susquehanna Valley, South Mountain extending from near the Susquehanna to the Potomac at Harper's Ferry, and the Blue Ridge, which from the Potomac south presents an unbroken range of mountains that grow higher and broader, until their climax is reached in the high summits and wide ranges of the Carolinas.

From the Hudson to the Potomac the piedmont belt is narrow and is made up of a rolling country of high average fertility, seldom reaching 500 feet above the sea level. The productive farming and dairying counties of southeastern Pennsylvania—with the exception of those in the Appalachian Valley to be described presently—lie within the piedmont. From the Potomac River to northern Georgia the piedmont is a broad upland country, much of which is between 500 and 1,000 feet above the sea. This wide belt of well-timbered "foot hills"

was but gradually settled and not fully occupied during the colonial period; indeed, many of the central sections of Virginia and the Carolinas are somewhat sparsely settled even to-day. Its soils average well, though not high, in fertility, but when well tilled they yield good returns. During the first half of the seventeenth century this region furnished furs for export; thereafter lumber and naval stores became most important, while plantations and farms advanced slowly up the river valleys and back from them on to the intervening divides. The first great development of the piedmont in the Carolinas and Georgia came toward the end of the eighteenth century, when cotton became a profitable crop.

THE APPALACHIAN OR GREAT VALLEY.

West of the Blue Ridge and its northern extensions, and intervening between that range of mountains and the eastern front of the broad Allegheny plateau, lies the Appalachian or "Great" Valley. This remarkable valley extends, with nearly unbroken continuity, from the Gulf of St. Lawrence almost to the Gulf of Mexico. From north to south this intermontane depression includes in turn the lower basin of the St. Lawrence River and Lake St. Peter, the trough containing the Richelieu River, Lake Champlain, and the Hudson River, the "Kittatinny" Valley across northern New Jersey, the Allentown-Lebanon-Cumberland Valley stretching across Pennsylvania and Maryland to the Potomac, the Shenandoah Valley of Virginia, the somewhat disconnected but physiographically related mountain valleys occupied by the headwaters of the Kanawha, New, and Tennessee rivers, and lastly, the valley of the Coosa River, which sends its waters by way of the Alabama River to Mobile Bay.

The Appalachian Valley is noted for its exceptional fertility. North of New Jersey glaciation has limited its productive powers, but south of New Jersey the soils of much of the valley are formed of disintegrated limestone. "There is, perhaps, no other area in the United States where as wide a range of field and garden crops will flourish with the same luxuriance as here."[1] Lying at an elevation of 500 to 2,000 feet above the sea (except in the highest mountains of North Carolina and Tennessee), and having everywhere abundant rainfall and a most favorable climate, with summers that are not enervating and winters that are only moderately cold everywhere, except in northern New York and in Canada, this valley along the eastern edge of the Adirondack, Catskill, and Allegheny Mountains early invited settlement. Indeed, within fifty years after the founding of Philadelphia scores of towns had been started in the Lebanon-Cumberland Valleys, and the occupation of the beautiful Shenandoah Valley had

[1]Shaler, *United States of America*, I, 72.

been begun by emigrants from tidewater Virginia and by the Scotch-Irish and Germans who came south from Pennsylvania. During the first two-thirds of the eighteenth century the Great Valley, and the many lesser valleys opening out from it, constituted the western frontier, towards which emigration was steadily directed.

This fertile valley, lying relatively near the sea and readily accessible, was an influential factor in the economic progress of the colonies during the fifty years preceding the Revolution. While the expenses of transportation by the ways and vehicles then available prevented the valley from exporting much of its food products over-sea, its agricultural surplus enabled the farming sections of the country nearer the seaports to ship more than they otherwise could of their grain and provisions to the West Indies and to Europe. Moreover, when the long war with Great Britain cut off the maritime commerce of America for seven years and threw heavy financial burdens upon the people of the new commonwealth, they were strengthened economically by the wealth annually created in the Appalachian Valley, the agricultural West of that day.

THE RIVERS AS HIGHWAYS OF INLAND COMMERCE.

The commercial highways of the colonies were the ocean and the rivers. Starting along the bays and at the head of tidewater navigation, settlement advanced inland along the streams and spread thence laterally over the country by way of the tributaries of the rivers. Most of the intercolonial intercourse was coastwise by the sea and on such long arms of the ocean as the Delaware and Chesapeake bays; although the rivers (the Merrimac, Connecticut, Delaware, Susquehanna, Potomac, and Savannah) were also used to a minor extent in intercólonial traffic.

Practically the only avenues of inland commerce were the rivers, which until some time after the beginning of the national period remained unimproved. The rivers, however, were far more serviceable to commerce in the seventeenth and eighteenth centuries than they are to-day; not only because traffic was then of small volume and was handled in small units, but from the fact that the rivers then drained well-forested catchment basins from which the run-off of water into the streams was less rapid in times of heavy rainfall and was more evenly distributed through the year than is now the case, when the forest areas have been greatly restricted or totally destroyed by axe, fire, and plow.

The crudely constructed boats brought the productions of the up-country settlements down the Connecticut, Hudson, Delaware, and other rivers cheaply and without great difficulty, during most of the year except in the winter, to supply the markets of the seaports and load the vessels outbound for the West Indies or Europe. The move-

ment of traffic up-stream was more expensive, but its volume was light as compared with shipments made with the current. As long as settlement was confined mainly to the river valleys, the transportation facilities afforded by the streams enabled the colonies to make steady though moderate progress. When the country east of the Allegheny Mountains came to be generally occupied, as it did toward the end of the eighteenth century, turnpike roads were constructed to facilitate long-distance traffic and the agitation for river improvement and canal construction gathered headway.

THE ALLEGHENY PASSES AND THE BEGINNINGS OF WESTERN COMMERCE.

Even before the Revolution the colonies south of New York began to push across the mountains and to plant outposts along the upper waters of the Ohio and Tennessee rivers. The main gateways of the Alleghenies were reached by ascending the rivers. The broad plateau from which the Allegheny Mountains rise slopes to the southeast as far as the valley of the New River, and consequently the Delaware, Susquehanna, Potomac, and James rivers cut their way across the ranges and reach the piedmont through deep gaps. The southern half of the Appalachian highland slopes to the west and south, and the New, Holston, and other rivers by which it is drained rise near the Blue Ridge, on the eastern margin of the plateau.

The approach from Pennsylvania was up the Susquehanna by way of its West Branch and the Juniata and its southern affluents, and thence across to the streams flowing into the Allegheny River. From Maryland and Virginia the route west was up the Potomac, either to Cumberland and over the gap to the Youghiogheny River, or up to the mouth of the Shenandoah and by that stream to its head and on into the valley of the upper James, where a route might be taken westward up the James and across to the Greenbrier and thence to the Kanawha, or a trail might be followed to and up the New River to the divide leading to the headwaters of the Holston, which was sometimes followed to its union with the Tennessee, but more frequently was left just north of the boundary of North Carolina, where passes were crossed into the valleys of the Clinch and other streams, from which the trail led through the Cumberland Gap to the headwaters of the Cumberland River. Another western route frequently taken by the tidewater Virginians was up the James and thence either by the Greenbrier River or by the Cumberland Gap. The people of Carolina had only to cross the Blue Ridge from the Yadkin and other streams to reach the New River or the streams flowing into the Holston.

The natural approaches to the West from the Atlantic seaboard lay to the north and south of the Allegheny Mountains through New York and northern Georgia; but the Hudson-Mohawk route ran

through the territory of the powerful Iroquois, who closed that route as a highway for the westward progress of the English; while at the southern end of the mountains were the Creeks and Cherokees, whom the Spaniards inspired to oppose the English. It was not until some time after the establishment of the National Government that these easier highways to the West could be safely taken.

The advance of population across the Alleghenies by these routes was the first of the great westward movements by which the American continent has been occupied from ocean to ocean. The settlements made after the close of the French and Indian War in western Pennsylvania, and in what is now Ohio, Kentucky, and Tennessee, could have no trade with the people on the Atlantic slope, because the mountains were an impassable barrier to transportation. The first commerce of the trans-Allegheny sections was carried on through New Orleans, with which they were connected by river ways. This river trade, however, did not antedate the Revolution. Regular commercial intercourse between the sections east and west of the Alleghenies began during the last decade of the eighteenth century; and it was not until the second and third decades of the nineteenth century that the transportation facilities were such as to permit much traffic to be carried across the Alleghenies.

It is an accurate generalization, that throughout the colonial period, American commerce, with the exception of the fur trade, was restricted by geographic conditions to the domestic and over-sea trade of the section lying between the Alleghenies and the ocean; that the shipment of goods from the western slopes of the Alleghenies to the mouth of the Mississippi began after the Revolution; and that the traffic east and west across the Alleghenies did not become of much importance before the beginning of the nineteenth century.

GENERAL RESULTS OF GEOGRAPHIC CONTROL.

This brief survey of the geographic conditions obtaining on the Atlantic slope of America from Newfoundland to Florida suffices to show that the productions and the consequent trade of the three large sections—the New England, the middle, and the southern colonies—were subject to dissimilar geographic controls.

By devoting themselves to fishing, shipbuilding, navigation, and to raising the cereals of the northern temperate latitudes, the settlers of New England tended to compete with the people of England. Consequently the British markets for the exports of New England were restricted both by the economic activities of the English people and—with the exception of the building and operation of ships—also by the navigation and trade laws enacted by England to protect and develop her industries. Their geographic environment predestined the New England colonists to trade, and being unable to exchange their com-

modities under favorable conditions in England for the British manufactures they required, the people of New England built up a large export trade to the West Indies and thereby secured the goods, coin, and bills of exchange with which to purchase English wares.

The colonies of New York, New Jersey, Pennsylvania, and Delaware, which were rich in agricultural and forest resources and had some mineral wealth, also found profit in engaging in the West Indian trade. These colonies could trade with the home country more easily than New England could; but their imports from England greatly exceeded their exportations to that country. Until after the close of the eighteenth century Great Britain's imports from America consisted mainly of the commodities she did not produce at home; hence it was that the tobacco of Maryland and Virginia, and the naval stores, rice, and indigo of the Carolinas and Georgia, constituted the larger share of the colonial exports to Great Britain.

The effect of the geographic forces that caused England to import a comparatively small amount of the products of New England and the middle colonies and to buy large quantities of the natural exports of Maryland and the more southern colonies was augmented by the corn laws and trade legislation enacted by England and Great Britain during the seventeenth century. American geographic conditions influenced the development of American commerce during the colonial period, and in those conditions are to be found some of the reasons why England legislated as she did in regulating the industries and trade of her American colonies.

CHAPTER II.

THE BEGINNINGS OF AMERICAN COMMERCE, 1600 TO 1660.

The commercial intercourse of Europe with America preceded the planting of colonies in the New World. Spain, as the leader in the exploration of America, took possession of a large part of northern South America, the West Indies, and southern North America, accompanying her conquests with a confiscation of the stores of precious metals that had been garnered through preceding ages by the Indians in their slow progress from savagery towards social organization. The Indians having been robbed of their treasures, the Spaniards engaged extensively in the mining of silver, and thus it came about that, as an incident to the maintenance of her authority in her possessions and to the support of the mining operations of her subjects, Spain regularly despatched her merchantmen and galleons to carry supplies to America and to bring back the bullion her subjects had wrested from the natives or had unearthed from the rich stores of unmined metal. The returning treasure ships were eagerly awaited in Spain, where bullion was prized more highly than all other forms of wealth, and although the piratical prowess of the covetous English sea-rovers made England instead of Spain the actual destination of not a few treasured cargoes, the precious metals from America flowed, a copious stream, into and beyond Spain, thereby enriching the money supply and quickening the industries of all Europe.

The English, like the Spaniards, were drawn to America during the sixteenth century in part by their love of adventure—the lodestone that made pirates of reckless men, buccaneers of ambitious and not overscrupulous patriots, and explorers and pioneers of men of finer mold—and in part by that strange fascination which the precious metals have ever had for men of all lands. From the voyages of the Cabots at the close of the fifteenth century to the explorations of Gilbert and the unfortunate colonizing efforts of Raleigh and Gosnold during the last quarter of the sixteenth century, the main objects sought were gold and silver; indeed, the first settlers at Jamestown were so much more desirous of mining than of planting that only direst suffering and even starvation could force them to cultivate the soil while there was any hope of discovering mines of precious metals.

Luckily for them, the English in exploring the shore lands of the continent of North America found neither accumulated hoards nor mines of gold and silver, and thus in time they came to realize—much more promptly than did the Spaniards—that the fisheries of the Atlantic coast and the fertility of the American mainland could yield far greater wealth than could be raised from even the richest mines.

The English, Dutch, and French had long appreciated the value of the fisheries of Newfoundland and the coasts to the south and west. Sebastian Cabot on his first voyage, in 1497, had discovered Newfoundland and St. Johns, and had told the English people of the good fishing grounds he had found. Fishing expeditions from England to those shores must have become regular and frequent during the early part of the sixteenth century, for the fisheries there had become important enough to be mentioned in acts of Parliament in 1540 and 1547. According to a letter received by Hakluyt, in 1577, fifty ships from England were annually visiting Newfoundland. The French followed the trans-Atlantic fisheries more eagerly than did the English, there being 150 French vessels off Newfoundland in 1578, and temporary stations and posts were established at various places in the Gulf of St. Lawrence.[1] On his second, and to him fatal, voyage (1583) Gilbert put in at St. Johns Harbor, where he found thirty-six ships "of all nations," and the importance to which the Newfoundland fisheries had by that time attained is indicated by the fact that Gilbert was able to provide his fleet with supplies "as if we had bene in a Countrey, or some Citie, populous and plentifull of all things."[2]

The voyages of the explorers and, to a greater extent, the pursuit of the fisheries required some trading to and in America. When Gilbert sailed on the voyage just referred to, a portion of the outfit of his five small vessels consisted of "petty haberdasheries" for trading with the savages. The fishing craft and the stations in America were necessarily supplied from Europe. That there may have been trading along the coast to the southwest of Newfoundland is probable, and that furs and timber, as well as fish, were at times taken back to Europe is equally believable, although this traffic could have been neither regular nor of large volume. Systematic trading and commerce began with the establishment of settlements at Jamestown, New Plymouth, New Amsterdam, and elsewhere.

SERVICES OF CHARTERED COMPANIES IN SETTLEMENT AND EARLY COMMERCE OF AMERICA.

The earlier settlements in America were planted and, for a while, maintained by companies chartered in England and Holland—the London, Plymouth, Canada and West India companies. In the case of Virginia the colony was sent out directly by the "London" company; in New Netherland likewise, the parent company, the West India

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[1]Avery, *History of the United States*, II, 1. [2]Statement by Hayes in Hakluyt, VIII, 62.

Company, acted without an intermediary; while at Plymouth and on Massachusetts Bay the colonies were established by patentees of the English companies, of the London Company in the case of Plymouth, and of the Council for New England as regards the plantations about Massachusetts Bay. Other and later colonies were founded by "proprietors," sometimes an individual, sometimes companies, upon whom the King bestowed powers similar to those that had been intrusted to the earlier companies.

Inasmuch as American trade, in the sense of regular and systematic commercial intercourse, was started by the chartered companies, an analysis may well be made of the functions they performed in the early development of American commerce. We are now so accustomed to thinking of commerce as an activity of any individual or group of men who may elect to devote their money and labors to transportation or trade, and we are so trained to regard the government's relation to trade to be that of guaranteeing every one an open and fair opportunity, that the purpose or the wisdom of the English and other governments in the seventeenth century in turning over the settlement, the government, and the commerce of large sections of the world to companies with grants of exclusive monopolies is not readily manifest.

The commercial companies were chartered for economic and political reasons. There was a marked extension of trade during the sixteenth and seventeenth centuries, both within Europe and between Europe and newly discovered lands. At the same time the universally accepted theory of commerce was that, if it were left unregulated by the government, the country would suffer. Most persons still thought of trade as benefiting only one party to an exchange; and, if it were needful that the government should be mindful of what trade was carried on near home and of how it was conducted, it was far more necessary for the State to make certain that commerce with distant countries and sections should be organized and developed under government patronage and control. The government, it was conceived, ought either to do the trading through its own officials, as some States had done in former centuries, or to intrust the commerce to a carefully regulated and readily controllable company. Hence it was that there were so many companies chartered with grants of commercial monopolies and large political powers during the sixteenth and seventeenth centuries. The chartered companies were one expression of the mercantile system of political and economic thinking, which will be explained more fully in discussing the Navigation and Trade Acts passed by England, in 1651 and later, to regulate the industries and trade of her colonies.

The corporation or large stock company was a better agency than the individual traders, if indeed it was not the only practicable one for carrying on distant commerce in the stormy times of the sixteenth

and seventeenth centuries, when corsairs and pirates haunted all the seas frequented by merchant shipping and when even minor states and petty principalities wrung as many extortions as possible from traders not strong enough to secure exemption from interference. Moreover, few if any individuals could either command sufficient capital or safely risk their fortunes in distant commerce, when at least several months and often several years must elapse before returns could be secured.

The development of a commerce with a section where colonies were to be planted or where "factories" or forts or stations were to be maintained presented especially great difficulties, too great, indeed, for the individual trader. As Professor Cheyney states:[1]

> "The preliminary equipment of ships, the purchase of supplies and merchandise, the acquisition of land, the building of forts, and the supply of weapons and military material; the payment of a military force to protect their commerce against natives or interloping Europeans; the expenses, in many cases, of transporting colonists, and finally the long waiting before returns could be reasonably hoped for—some or all of these expenses were inseparable from the whole plan of establishing distant trade. It was no wonder that individual traders gave place to great unions of the merchants of London, Amsterdam, or Dieppe, who risked part of their means and united their resources to form companies to trade with the East and West Indies, Africa, and other outlying parts of the world."

The companies that undertook to plant colonies in distant frontier sections of the world and to build up a trade between those regions and the home country were necessarily granted large political and administrative powers, because they could not otherwise hope to accomplish the economic objects for which they existed. The home government was unable to protect the lives and the property of the "adventurers" and to maintain order in the distant wilds of America or in far-away India; hence they intrusted the companies with political powers.

In chartering and supporting commercial companies each country was seeking to strengthen itself in its unavoidable competitive struggles with other countries. It was to spread its dominion over a wider territory, to establish a favorable military or naval base, to insure a favorable balance of trade or to outdo a rival in some one of many ways—these objects in part or as a whole led to the chartering of the commercial companies.

The companies chartered to colonize America and develop trade with that part of the world were bodies whose chief objects were commercial. They sought dividends, first of all; the planting of colonies and the consequent spread of the civilization and religion of their country was a secondary, but not by any means an ignored, consideration. They failed in their main purpose, and as time went on they

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[1]*European Background of American History*, 161.

became more distinctly colonizing and political organizations. They accomplished a larger and higher task than they had set about to do, and wrought more wisely than they knew.

The contribution of the chartered companies to the early development of American commerce may be summarized under four heads: (1) They brought about the settlement of the country. Without their aid the colonization of America must needs have come much later. (2) In planting their colonies and in furnishing them with the supplies required during the early years of trial the companies organized voyages to and fro between Europe and America. Their experiences in these trips and the results of those early years of trafficking paved the way for the individual traders that succeeded the companies. (3) The companies first placed the natural products of America, the furs, timber, tobacco, etc., upon the markets of the Old World. The demand for American produce was thus created and made more definite, and when the individual merchant began to trade he knew, in part at least, what commodities could be readily sold at home. (4) Similarly the trader was better informed as to the requirements of the settlers in the wilds of America than the companies had been when they sent out their colonies. He could better judge of the American market.

THE LONDON COMPANY AND EARLY TRADE WITH VIRGINIA.

The London Company, under the official title of "The Treasurer and Company of Adventurers and Planters of the City of London for the First Colony of Virginia," secured its charter in 1606,[1] the year before it planted the colony at Jamestown. The company was granted the right to establish a plantation at any point on the Virginia coast between the thirty-fourth and forty-first parallels of north latitude; while at the same time the Plymouth Company (the history of which will be given later) was given the right to plant a settlement anywhere between the thirty-eighth and forty-fifth parallels. To prevent the possibility of a conflict of jurisdiction within that territory, in which both companies were permitted to settle, namely, that lying between 38° and 41°, it was provided "that the plantation and habitation of such of the said colonies as shall last plant themselves, as aforesaid shall not be made within one hundred like English miles of the other of them, that first began to make their plantation." Each colony was to have the exclusive possession of the land and all its resources within a region extending for a distance of 100 miles along the coast, 50 miles north and south of its first plantation, and 100 miles inland, as well as the possession of all islands situated within 100 miles of the land, in that part

[1]The charter of 1606 is printed in full in Stith, *History of Virginia*, I; also in Brown, *Genesis of the United States*. The charter of 1609 is to be found in Stith, I, app. ii, and with some omissions in Brown, I, 208–237. The powers conferred by the charter of 1609 are summarized and discussed in Cheyney, *European Background of American History*, chap. viii; compare also the paper by H. L. Osgood on "The Colonial Corporation," in *Pol. Sci. Quar.*, XI, 1896, pp. 264–268.

of the sea lying "over against" the coast line to which the company became entitled, and no one was to be "permitted, or suffered to plant or inhabit behind, or on the backside" of the possessions of either colony, "without the express licence or consent of the council of that colony." By the charter of 1609, which replaced the original instrument, the membership of the London Company was greatly enlarged, and the territory granted was made to include a strip 400 miles wide, 200 miles north and south of Point Comfort. A third charter conferring some additional financial powers was granted in 1612.

By these charters, the London Company was required to take settlers to the territory granted; and, to enable it to profit thereby, the company was given a complete monopoly of trade until 1616; supplies sent from England to Virginia for the "support, equipment, or defense" of the colonists were, by the charter of 1606, to be free of export duties for seven years; the imports into Virginia were to be free for twenty years; and the duty on imports into England from Virginia was never to exceed 5 per cent. Trade with the natives was to be free of tax for seven years.

The experience of the London Company in organizing and carrying on the commerce of Virginia for a decade and a half makes an instructive chapter in the history of commerce. Although the company failed to make any profits for its adventuring members (they lost all their investments, indeed), the men who controlled its councils are entitled to great praise for the sacrifices they made of time and capital to plant and maintain in America an outpost of English civilization.

The charter of 1609 made it possible for all goods sent out to the colony to be dispatched by the company's supply ships, the funds required for the purchase of the ships and goods thus dispatched being obtained from individual members of the company who subscribed in their own names such sums as they cared to adventure. The goods were shipped as the property of the subscribers as a body, who were each to share in the profits of the venture in accordance with the amounts of their respective subscriptions; but there was to be no division of profits until 1616. When the goods thus sent reached the colony they were to be stored in the company's magazine and were to be distributed by an official called the Cape Merchant, who was also the treasurer of the colony. The second Cape Merchant was the famous Captain John Smith.

The first colonists were started over, in December 1606, in three small vessels that reached the James River in April 1607. Somewhat more than a year later two supply ships were dispatched, and in the autumn of 1608 yet other vessels were sent with supplies. It was expected by the adventurers that the goods thus shipped to Virginia would be exchanged for the products of the New World and that the articles brought to England would yield a profit to the investors.

As a matter of fact, the members of the company received no returns whatever. The colonists were in such straits that they had to be supported by the company for four or five years; indeed, had the company not sustained the colonists during those uncertain years the whole colonizing venture must have failed.

Possibly the subscriptions of the adventurers might not have been altogether lost had all the goods sent out by them reached the storehouse in Jamestown; but unfortunately both the agents of the company who were sent with the supplies and the sailors on the vessels, in spite of stringent laws to the contrary, appropriated a large part of the supplies and traded in them on their own account with the Indians and the colonists instead of depositing the goods in the magazine for distribution by the Cape Merchant.

In theory the two colonies planted in America in 1607 by the London and Plymouth Companies—one at Jamestown and the other at Sagadahoc at the mouth of the Kennebec River—were private commercial ventures of joint-stock companies. As Professor H. L. Osgood says:[1]

"The colonies which were founded at Sagadahoc and Jamestown were both plantations, owned, officered, and managed by the proprietors or company. The colonists were servants of the company. They were freely transported to Virginia in its vessels, and there worked for the company under prescribed regulations. They were fed and housed out of the products of the total labor of the colony, supplemented by cargoes of provisions received from home. When, if ever, the colony became able to furnish a surplus product—lumber, furs, tobacco—it was sent home in the vessels of the company and sold for the benefit of the adventurers. A profit, supposedly large, was also made by the adventurers and officers of their vessels on European goods taken to the colony and sold. These, as well as supplies of provisions from England, were regularly stored in a magazine or storehouse under the charge of a Cape Merchant, whence they were delivered to the colonists."

The colonial officials "were more truly overseers and factors than governors, councilors, and judges."

The London Company did not meet with the commercial success it anticipated, and as the first trading venture had proved an entire loss, much difficulty was experienced in 1608 in securing funds for the second supply ships, and this caused the company to secure its second charter (1609) by which no less than 650 individuals and 56 city companies came together as a "company of private adventurers for the advancement of the plantation" in Virginia. By dint of heroic efforts, supply ships in increasing numbers were despatched annually during 1609, 1610, and 1611, no less than 10 vessels being sent in 1611; but the Virginia settlements were still struggling for existence, and returning vessels brought back no profits. The exports of Virginia were not of much value until the tobacco trade began. It was not until 1612 that the systematic cultivation of that plant was begun, and naturally a

[1]*The American Colonies in the Seventeenth Century,* I, 44.

few years thereafter must needs elapse before the tobacco exports could become of large volume.

The financial troubles of the company in 1612 were such that they then secured a new or amended charter authorizing them to raise funds by lotteries. By this device some funds were secured, and some cash was also obtained by lawsuits instituted against those members who had not paid in the amount of their subscriptions. But the capital thus derived went the way of the former investments; and when, in 1616, the time came to return to the subscribers the capital they had adventured and the accumulated profits thereon, there was nothing whatever to divide. However, the Virginia colony had now become securely established, and it seemed possible that a profitable trade might yet be carried on, if it could be rightly organized and managed.

The company decided to try a new kind of trade management, and there was formed "The Society of Particular Adventurers for Traffic with the People of Virginia in Joint Stock," *i. e.*, certain members of the company united as a joint-stock association to send out goods in the name of a magazine, the members of the group subscribing, individually in such amounts as they chose, to the magazine, which was to be administered in England by a director and five councilors. The company still reserved its right to trade as a company, but as a matter of fact did not engage in trade. No individuals outside of the members of the company were allowed to enter the commerce of Virginia. The monopoly principle was still adhered to; but the plan failed and greater freedom of trading became necessary.

The first step toward freedom of trading was taken in 1619, when persons not members of the company were permitted to ship cattle, grain, and munitions of war to Virginia. The following year the commerce of Virginia became free to any Englishman who chose to engage in it; indeed, the exclusion of the Dutch and other nationalties from the trade was theoretical rather than real.

Virginia came directly under the royal government in 1624, when Charles I annulled the charter of the London Company. This event, however, was of slight significance so far as the commercial development of the colony was concerned. The industrial progress of the colony had become assured; its trade was open to all, and was soon being carried on by such enterprising English merchants as John Preen of London, who, aided by two associates, got permission, in 1626, to carry goods, munitions, and passengers to Virginia, and was able to testify two years later that he had sent out supplies on four occasions.

While it would require too great space to describe the early commerce of each colony as fully as that of Virginia has been considered, a brief account of the beginnings of the trade of New England, and New Netherland, and a short reference to other colonies seems desirable.

THE PLYMOUTH COLONY AND ITS EARLY TRADE ORGANIZATION.

After its unsuccessful attempt to establish a colony at Sagadahoc at the mouth of the Kennebec River, in 1607–08, the Plymouth Company of Adventurers to North Virginia made no further serious efforts to establish plantations within its territory, and the first colony to be established in the region to which Captain John Smith, in 1614, gave the name New England, instead of North Virginia as it had previously been called, was that planted in 1620 at New Plymouth by the Pilgrims, who secured their patent from the London, and not from the Plymouth, Company. The business arrangement by which the colony was established was a partnership composed of the colonists and certain adventurers or capitalists in England. The shares were £10 each, and each colonist counted as one share; the adventurers supplied the funds to finance the expedition. All the earnings of the colonists during the first seven years were to belong to the partnership. At the end of the period the profits were to be divided. Meanwhile there was to be no private property.

When the Pilgrims obtained their patent from the London Company, they intended to locate within its grant, but New Plymouth, where they settled, was within the grant made to the Plymouth Company in 1606. Accordingly they applied for, and secured, a patent from that company, or rather from its successors; for, in November 1620, the Plymouth Company obtained new letters-patent from Charles I, and became the New England Council, or more precisely "The Council established at Plymouth, in the County of Devon, for the planting, ruling, ordering and governing New England in America." The colonists in New Plymouth, however, had few dealings with the New England Council; their business relations were with their partners in England, the adventurers, who were in reality their proprietors.

The plan of having all property at New Plymouth in common proved unworkable. The first homes were constructed and owned by their builders to whom lots for houses had been assigned. The food supply during 1621 and 1622 was so scarce that famine nearly swept away the struggling settlement, but conditions changed for the better in 1623, when the cornfields were allotted as individual holdings. In 1627 the tillable land and the domestic animals owned in common were divided among the colonists, and in 1633 the meadow lands were allotted; thus communal property came to an end.

Meanwhile the management of the Plymouth Colony's commerce had been revolutionized. During the early years the trade was monopolized by the English adventurers who were financing the colony. Their ships brought out the supplies and the new settlers and returned to England with clapboards and beaver skins. This trade monopoly soon grew irksome to the colonists, and at the end of the seven-year

term of their partnership contract, they bought out the claims of their partners in England.

The funds for the Pilgrims were provided by a group of merchant adventurers living in England, with an agreement that the venture was to be communal in its nature and a division of profits to be made at the end of seven years.

In 1628, the Plymouth settlers agreed to buy out the interest of the English adventurers for the sum of £1,800, payable in nine annual installments of £200 each. The same year eight men of Plymouth and four men in London assumed this debt of £1,800, together with the other debts of the colony, amounting to about £600, in return for which they received for a period of six years the monopoly of the trade of the colony.

According to Bradford, the English partners, with the connivance of Isaac Allerton, who was one of the Plymouth eight and the agent for the colony in its early business transactions in England, soon involved the colony in debts amounting to about £5,000, in addition to the sums yet due the original adventurers. Allerton was dismissed and the trading was carried on by Winslow and others.

When an attempt was made to settle the accounts between the London and the Plymouth groups, it was found that they were in such an involved condition that it was impossible to get a definite statement of affairs. After much trouble a compromise was reached, by the terms of which the Plymouth settlers agreed to pay the London partners about £1,200, in full settlement of their claims. The last of this sum was paid presumably in 1646.

The annual payments of the debt of £1,800 to the original adventurers were promptly met and this debt was cleared in 1636. The bonds were finally delivered to the colony about 1642, the year in which the compromise with the London partners was concluded.

THE MASSACHUSETTS BAY COLONY; ITS EARLY TRADE ORGANIZATION.

The Massachusetts Bay Colony secured its patent from the New England Council in 1628, and in the following year obtained a charter from Charles I, by whom the grant of territory was confirmed and full corporate rights and governmental powers were granted. The government of the colony, according to the patent of 1628, was to consist of a general court (*i. e.*, the company itself) in England, and by a court resident in the colony; but, most fortunately for the political future of America, the Massachusetts Bay Company (the general court) decided in October 1629, to transfer itself to the colony. Thus it was that Massachusetts Bay came to be a truly self-governing colony.

When the company, or general court, made the transfer from England to America it had debts amounting to £2,500, and it had need for £1,500 additional for immediate use. To secure the necessary funds,

the favored device of creating a trade monopoly was resorted to; although, as we shall presently note, the plan adopted did not accomplish what was intended by its authors. The capital required by the company was advanced by ten "undertakers," half of whom were to be of the adventurers in England and half to be planters residing in the colony. The governor of the company was chairman of the board. This Board of Undertakers, created in 1629, was to have the monopoly of four kinds of trade: (1) The fur trade, (2) the making of salt, (3) the transportation of passengers and commodities between England and the colony, and (4) the maintenance of a magazine in the colony from which goods were to be sold at fixed, or monopoly, rates of charges.

The attempt at monopoly failed, and private trading was the rule.[1] The fur trade was carried on by individuals or associations authorized and controlled by the general court; the salt industry was apparently not important enough to induce the undertakers to engage in it; and the retail trade of the colony never centered in the magazine. Indeed, there is no reference to the magazine after 1630. Winthrop's correspondence refers to a payment made to the undertakers for the ships in which the emigrants were brought to the colony in 1630, but to no other transactions with the board. The colony had trade dealings with the adventurers resident in England but not with the Board of Undertakers.[1]

As stated by Osgood:

> "By the close of 1630 the joint-stock, or purely commercial, element in the Massachusetts enterprise had practically disappeared. It was decided that henceforth the company should not directly engage in trade but should confine itself to regulating it. With the removal of the patentees into the colony, they began to devote themselves to the work of settlement and government. Trade continued and expanded, but it was in private hands, subject to the legislative and administrative control of the colonial government."[1]

Thus the early commerce of the Massachusetts Bay Colony differed in organization and management from that of both the Virginia and Plymouth colonies. In Virginia a trade monopoly was maintained by the London Company until 1620; in the case of Plymouth the adventurers or proprietors held control of commerce until 1627, when the colony organized itself into an association for the exclusive conduct of its trade for a period of years; whereas in the Massachusetts Bay Colony there was virtual freedom of trade after the first year. What was true at Massachusetts Bay was by no means characteristic of all the early settlements within New England. The numerous grants made by the Plymouth Company, the New England Council, Charles I, and their patentees to individuals and companies carried with them the power to establish private trade monopolies.

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[1] Osgood, *American Colonies in the Seventeenth Century*, I, 150.

As a type of these early private companies having exclusive commercial privileges may be cited the Laconia Company, promoted by Gorges and Mason. It was organized in 1630 for trading and fishing, and two settlements were established within its grant on the Piscataqua River. At one of the settlements saw mills were erected and lumbering was carried on. Land was cleared to raise food; there was some stock raising and some fishing, and there was some potash made. The beaver trade was the most important industry. Ships operated by the company sailed back and forth between England and the settlements to bring out supplies and to take back the marketable products. The loss of a vessel in 1632 bankrupted the company and a year later the members of the company dissolved business relations and "the land and other property of the patentees was divided."

The experiment of the Laconia Company was an economic enterprise on a small scale, similar to that undertaken in a larger way by the London Company in Virginia. Fortunately for posterity, the men who supported the Virginia company changed their primarily economic project with great personal sacrifice into one whose chief aim became the colonization of a part of the New World and the development therein of British institutions.

NEW NETHERLAND AND ITS TRADE.

The commerce of New Netherland during the fifty years of the control of that colony by the Dutch was for much of the period monopolized by chartered companies. Shortly after the discovery of the Hudson River in 1609, individual trading expeditions to that valley were sent out from Holland, and by the autumn of 1614 it had become promising enough to cause certain merchants to unite in the "Amsterdam Company," which was granted a charter that gave it an exclusive monopoly, for four years, of the trade of New Netherland, a territory bounded, south and north, by the fortieth and forty-fifth parallels. This company did not attempt the settlement of the country, but merely maintained posts for carrying on the fur trade which centered at the lower end of Manhattan Island and at the present site of Albany.

In 1621, three years after the end of the period for which the Amsterdam Company was chartered, the Dutch West India Company came into existence under the official title of "The United Company of the United Netherlands,"[1] and received for a period of twenty-four years a monopoly of the government and trade of Africa and both sides of the American continents. It was authorized, and was expected, to devote its energies and capital to "the acquisition of wealth through the spoiling of the Spaniards,"[2] as well as to the development of com-

[1]Osgood, "The Colonial Corporation," in *Pol. Sci. Quar.*, XI, 1896, pp. 264–268; Jameson, *William Usselinx.* (Usselinx was the founder of the company.) Cheyney, *European Background of American History*, chap. viii (this summarizes the chief powers of the company).

[2]The quotation is from Channing, *History of the United States*, I, 445.

merce. To aid in accomplishing these objects the company received a state subsidy of 1,000,000 florins, the use of 16 government ships and 4 yachts, and was given the exemption of tolls and license dues on its own ships. The company was required to provide at least as many vessels of its own as it secured from the government, and whenever practicable the ships were to return to the home port from which they sailed. The Dutch West India Company sent out settlers to New Amsterdam in 1623, but the persons thus taken out were employes of the company rather than colonists in the usual meaning of the term at the present time. The company monopolized the entire economic life of the colony. The fur trade, which, during the early years, amounted to 60,000[1] guilders annually, was the all-important business; ship-building was successfully carried on to some extent; mills were set up for sawing logs, but there was little if any export of lumber. The ownership not only of the land, but of the stock upon the farms was retained by the company until 1629, when the patroon system of land-holding was introduced.

The private holding of land in patroonships constituted the first modification of the plan of complete monopolization of industry by the company, and this change was made, because the returns from the fur trade were not large enough to make it worth while for the company to bear the entire expense of developing the colonial enterprise. Accordingly, the company provided that any member who should within four years send out fifty families at his own expense would be granted a large tract of land (a patroonship) of his own selection. The purpose of the company was to create large landed estates—the best of which would naturally be secured by the individual members controlling the company at the time the system was adopted—cultivated by the patroon's tenants, assisted by slaves. The company was to sell the patroons such slaves as they might need to purchase; the profitable fur trade with the Indians was to be carried on only by the company and by those living within its reservation at Manhattan. The trade and industries of the patroonships were most carefully restricted and regulated with a view to perpetuating the company's commercial monopoly, and to keeping the colony dependent upon the home country for clothing and other supplies.

It is not surprising that the Dutch West India Company's dual system of patroonships and exclusive trade monopoly did not result in a rapid growth of New Netherland. It was found necessary to modify the land system and to open the commerce to competition.

To increase the number of small holdings of land and thus to bring about a greater cultivation of the soil, the company, in 1640, offered to grant patroonships of 200 acres each, the proprietor being required to bring out from the home country five servants to till the ground. As

[1]Channing, *History of the United States*, I, 447.

this plan did not have the full effect desired, the company tried the experiment, ten years later, of aiding the tenants by renting them stock and supplying them with tools; but the results of this modification of the patroon system, although favorable, were relatively slight. There were some exports of flour, oats, peas, and beans during Stuyvesant's administration (1647–1664), but the agricultural development of New Netherland was slow as compared with other colonies and continued to lag until after the country had been conquered by the English and settlements were made by immigrants who held the land as individual freeholds, as they were held in New England, Pennsylvania, and elsewhere.

The first inroad upon the company monopoly of the trade of New Netherland was made in 1638, when the company was compelled to grant to the merchants resident within the colony the right to import and export goods in the ships belonging to the company. This trade by private persons was subject to a duty of 10 per cent on imports, and 15 per cent on exports, and for three good reasons was most carefully regulated by the government: (1) The revenues for the maintenance of the government were derived from the commercial monopoly or from the customs collected from private traders. Private traders must be taxed, and smuggling must be prevented. (2) The opening of the trade to private merchants stimulated immigration and men of various nationalities made New Amsterdam their temporary abode, and the commerce of the colony passed to a large extent into the hands of persons who were practically foreigners and but slightly identified with the colony. (3) The most important branch of trade was in furs, which were secured from the Indians in exchange for trinkets, guns, powder, and rum. The government, *i. e.*, the company, could not safely permit its relations with the Indians to be determined by the unrestrained cupidity of private traders. Stringent regulation was necessary.

EARLY TRADE OF NEW JERSEY AND MARYLAND.

The commerce of the territory now included in New Jersey was not important prior to 1660. The Dutch made settlements across the Hudson from New Amsterdam as early as 1620, and regarded all the country east of the Delaware as a part of New Netherland. The Swedes, in 1638, made settlements on the east bank of the lower Delaware and considered that region a part of New Sweden, until they were dispossessed of their territory by Peter Stuyvesant in 1655. Thus the country between the Hudson and the Delaware was from the first divided by political and economic forces into two distinct sections; and the trade of the northern or eastern part centered at New Amsterdam, while the commerce of the southern or western portion was tributary to the lower Delaware.

The Swedes settled on both the east and west banks of the Delaware estuary, and New Sweden was held to include the region between the

Chesapeake and the lower Hudson. Professor C. M. Andrews summarizes the industries and trade of that section by saying:

> "In that wide stretch of country between the Chesapeake and Hudson, the Swedes, Finns, and Dutch . . . led a flourishing agricultural and trading life. The Swedes . . . cultivated their gardens, orchards, and farms, and raised goats, cattle, and swine. They did a good business in tobacco (with Maryland) and furs (with the Indians), and continued their agricultural and trading life even after the subjection of the region by the Dutch."[1]

Maryland from the time of its colonization in the third decade to the end of the seventeenth century was engaged largely in raising tobacco, and, although it was less exclusively devoted to tobacco culture than Virginia was, the early foreign trade of Maryland consisted mainly in exporting tobacco to England to exchange for manufactures. The other important trade of the colony consisted in selling food and horses to the tobacco plantations of Virginia.

Inasmuch as the Carolinas were first settled in 1663, and Georgia seventy years later, the commercial history of those three colonies begins some time after the period covered by this chapter.

The foregoing discussion of the early commerce of the colonies has been concerned with their trade with their home countries in Europe. It remains to speak briefly of the beginnings of intercolonial trade. The main characteristics of that commerce can be depicted by reference to the intercolonial commerce carried on from New England and from Virginia, and to the commerce of those sections with the colonies in the West Indies.

BEGINNINGS OF INTERCOLONIAL TRADE.

By 1640 the intercolonial exchanges had become regular. According to Weeden, the trade of Massachusetts with New Amsterdam and Virginia began as early as 1631.[2] "After 1640, Boston, Salem, Scituate, Dorchester, Gloucester, Plymouth, Newport, New London, and New Haven" built vessels and dispatched them "loaded with produce and lumber, to adjacent colonies, Barbados and England."[3] The vessels were often sold with the cargoes. New England's earliest exports were furs, to which fish were soon added. Then lumber, grain, cattle, and butter were included, and the coastwise commerce of New England which reached New Amsterdam in the early thirties was in a few years carried on regularly with Virginia and the West Indies. The trade of Massachusetts with the Dutch at the mouth of the Hudson became large enough by 1642 to cause Massachusetts to enact legislation regulating the currency of Dutch coin. "By 1643, the trade (of New England) extended to Madeira, and soon after to Spain, and wine, iron, and wool were (thereby) included among the imports."[4]

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[1] *Colonial Self-Government*, 319. [2] *Economic and Social History of New England*, I, 124.
[3] Andrews, *Colonial Self-Government*, 331.
[4] Doyle, *History of English Colonies in America*, III, 28.

The West Indies trade of New England early became more important than the commerce with the other continental colonies; indeed, it was the commerce with the West Indies that enabled New England to develop industrially and to expand her trade with Europe. The fish, pipe-staves, lumber, grain, pork, and other food products were sent to the tropical islands and there exchanged for cotton, tobacco, salt, rum, wine, sugar, negroes, and also for the coin and bills of exchange which New England needed to use in paying for the manufactures of old England. From the very first intercourse of New England with the West Indies, fish were marketed in the islands; and the early importance of the lumber exports is indicated by the fact that in 1640 eleven ships sailed from New England for the West Indies with cargoes of lumber.

These details give an indication of the commercial relations of New England with her sister colonies and with the West Indies. A brief survey of the intercolonial trade of Virginia will add further definiteness to the picture of the trade of the colonies with each other.

The trade of Virginia with New England, which had become regular by 1640, grew increasingly active thereafter, Virginia purchasing in New England not only colonial products, but also "a large quantity of supplies which had originally come from Europe,"[1] which the Virginians paid for by tobacco and by bills of exchange on England.

Commercial intercourse between Virginia and New Amsterdam and of Virginia with Europe via the Dutch colony was encouraged by the governors of New Netherland and by the Dutch West India Company. The importance of this trade was such that the Dutch West India Company was careful to maintain friendly commercial intercourse between New Netherland and Virginia even during the war between Holland and England from 1652 to 1655.[2] Exports from Holland and from New Amsterdam were taken to Virginia in Dutch ships which loaded with Virginia tobacco and sailed directly to Holland. The traffic from Virginia to New Amsterdam was light. Vessels northbound from the West Indies for New Netherland or New England sometimes stopped at Virginia to exchange tropical products for the tobacco and other exports of that colony. Thus the commerce of Virginia with the northern colonies was closely connected with her European and West Indian trade.

The most active intercolonial trade of Virginia was naturally with Maryland, her neighbor on the north, with which she had easy communication by way of Chesapeake Bay, the Potomac River, and the other streams debouching into the bay. Bruce states that, "As early as 1641 the records [of Maryland] show that its inhabitants purchased many of their supplies in the older communities south of the Potomac, and, on the other hand, that citizens [of Virginia] were obtaining goods of different sorts from persons living in Maryland."[1]

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[1]Bruce, *Economic Hist. of Va. in the Seventeenth Century*, II, 322. [2]*Ibid.*, 314.

Commerce between Virginia and the West Indies began in 1633. The planters of Virginia, unlike the merchants of New England, were not largely engaged in operating ships. The owners of the most extensive plantations exported their tobacco in their own ships, but the intercolonial, West Indian, and some of the European commerce of Virginia was carried on in vessels owned outside of the colony, by the shipping of Holland, England, and New England. As regards the trade with the West Indies, it was carried on not only by means of the vessels owned in Virginia, and plying back and forth between the home ports and those of the tropical islands, but also by various traders that brought up West Indian cargoes as mercantile ventures. "Many ships," says Bruce, "from year to year arrived in Virginia with cargoes of West Indian commodities, the owners of which depended on casual purchasers for the disposal of their stock, these purchasers being sought by passing from landing to landing in the principal rivers."[1]

GENERAL SURVEY OF AMERICAN COMMERCE IN 1660.

The difficulties to be overcome in the settlement and colonization of America were many, and the increase in population was comparatively slow during the first fifty years after the founding of Jamestown. The English colonies, New England, Maryland, and Virginia, contained from 75,000 to 80,000 white inhabitants and New Netherland's population added 6,000 or 7,000[2] more. The total commerce carried on by these 80,000 or 85,000 people could not have been large in comparison with the later figures of American trade; nevertheless the colonies scattered along the seaboard from the Kennebec to the valley of the James were so closely dependent upon maritime commerce that a large share of their economic activity was devoted to trade.

The English colonies far outweighed the Dutch in importance, and the major share of their total commerce was with England; although, up to the passage of the British Acts of Trade in 1660, Holland not only had the trade of New Netherland, but also secured a large, though minor, portion of the tobacco exports of Maryland and Virginia.

The several colonies were not vitally dependent upon each other. Their economic connections were mainly with Europe, and the intercolonial trade was relatively small in scope and volume. The exports of all colonies being agricultural and forest products, and in the case of New England those commodities and fish, the most natural markets of the colonies as a whole were in Europe, and it was there also that they could most advantageously secure the greater part of their manufactures and other necessary supplies. New England, however, afforded a partial exception to this general rule, in that she early found a large and profitable market in the West Indies.

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[1] *Economic Hist. of Va. in the Seventeenth Century*, II, 327.
[2] Channing, *History of the United States*, I, 510.

The trade between New England and the West Indies developed early, because it formed the natural complement to her commerce with Europe. The exports of New England to the tropical islands, lumber, fish, etc., exceeded in value the purchases she made in the West Indies; whereas the supplies New England required from England greatly outvalued the exports that could be marketed in the home country. The bills of exchange which New England obtained from the West Indian importers enabled her to settle her commercial indebtedness to England. The steady economic progress of New England was made possible by the profitableness of her commerce with the West Indies.

Virginia had a larger foreign trade than any of the New England colonies had and it was of very different character. Unlike New England, Virginia had only a minor interest in the West Indies. Her chief staple, tobacco, had its sole outlet in the European markets, and the progress of Virginia was conditioned almost entirely by her commerce with England and Holland. Up to 1661 the tobacco trade, and hence the import trade, of Virginia was shared by Holland as well as England; and the growing commerce of Holland with the British colonies in America was the occasion, if not the cause, of the enactment of the British Navigation Acts restricting the trade of the British colonies to ships of the national flag. The commerce of Virginia was larger than that of the other colonies, because she exported nearly all of her staple articles of production, and manufactured or produced but few of the supplies needed on her plantations. She even imported a part of her food supply and was more economically dependent upon Europe as time went on, whereas New England tended to become commercially autonomous.

The progress of the several colonies in industry and commerce was in no small measure affected by political and social forces as well as by economic or material causes. The advance of New Netherland under the political and social institutions maintained by the Dutch was slow, while the progress of New England with far less favoring natural conditions was comparatively rapid. New England led all the colonies industrially and commercially, because she had political freedom in the highest degree, and because her settlers were men inured to struggle and were so fashioned in mind and heart as to

> " . . . welcome each rebuff
> Which turns earth's smoothness rough."

CHAPTER III.

THE COMMERCIAL POLICY OF ENGLAND TOWARD THE AMERICAN COLONIES: THE ACTS OF TRADE.

Before continuing with the history of the development of American commerce after 1660, it will be well to consider the policy adopted by England and the measures enacted by the several American colonies for the promotion and regulation of commerce. The present chapter will discusss the British Acts of Trade; the following one will summarily review the commercial policy of the colonies.

THE MERCANTILE THEORY.

During the seventeenth century, and indeed from the fifteenth until well into the nineteenth century, the mercantile theory of trade was accepted without question by practically all Englishmen, and in fact by Europe generally. The nation was by this theory regarded as a political and economic unit. Each country's relations with all other countries were to be carefully regulated so that all international intercourse might enhance national wealth and power.

Under the mercantile theory it was held that if trade were to be of advantage to the country as a whole the following principles must be observed:

(1) Trade must be so conducted that the money value of the commodities exported from the country exceeds the money cost of the goods imported, so that there is a "favorable balance of trade" with a steady flow of coin or bullion into the country. It was believed that the military and naval strength of a country depended upon the stock of ready money in the war chest or at least in the possession of the people of the country.

(2) It seemed equally evident to the people of the times of Elizabeth and Cromwell that certain kinds of trade were much more to be desired than others, and that it was the business of the government to restrict or prohibit some exchanges and to foster others. The imports ought not to compete with, but ought to contribute to, the growth of home industries; the exports should not include those articles needed at home for consumption or use in production.

(3) Under the fully developed mercantile system, it was held that the merchants of other countries should be permitted to engage in the

commerce of the home country and its colonies only to the extent that the producers and traders of the home nation were unable or disinclined to carry on and develop industry and commerce. Each foreign country ought to be permitted of right to engage in its own trade with another country, but each nation might, if it choose, reserve to itself all the commerce between the different sections under its flag, and might refuse to open its trade with a foreign country to the merchants and ships of a third nation. These restrictions of trade were made to promote the industries, increase the shipping, and strengthen the naval power of the country.

(4) The commerce of a country ought, as far as possible, to be reserved to the ships of the national flag, owned and manned by the people of the country. This policy was believed to be wise, both economically and politically. The maritime commerce and the merchant marine ought to contribute to the naval power of the country. Even if foreigners were able to handle the maritime trade more cheaply, they ought not to be allowed to do so; the naval power should be strengthened, even though a temporary economic sacrifice were necessary.

(5) The reservation of the trade of the colonies to the home merchants and to the national and colonial shipping seemed most natural. The colonies were regarded as plantations, established and fostered to provide the people of the parent country with a vent for their manufactures and with new and controllable sources from which to secure the foods and materials needed to supplement the supplies required by the mother country; and the colonists were encouraged, sometimes with bounties, to produce the imports required by the parent country.

The policy of England was to increase and perpetuate the economic dependence of the colonies upon the mother country. The plantations were to be supplied with all their manufactures from Great Britain, and the home country was to be, with few exceptions, the sole market of the productions of the plantations. England was to be the "staple" of the trade of the colonies. As Malachy Postlethwayt, the author of the voluminous *Dictionary of Commerce*, stated in a volume entitled *Britain's Commercial Interest Explained* (vol. I, pp. 107–108), published in 1747:

"Colonies ought never to forget what they owe to their mother country in return for the prosperity and riches they enjoy. Their gratitude in that respect, and the duty they owe, indispensably oblige them to be immediately dependant on their original parent, and to make their interest subservient thereunto. The effect of that interest, and of that dependency will be, to procure the mother: (1) a greater consumption of productions of her lands; (2) occupation for a greater number of the manufacturers, artizans, fishermen, and seamen; (3) a greater quantity of such commodities as she wants; (4) a greater superfluity wherewith to supply other people.

"From the end of the establishment of colonies, result two kinds of prohibitions. First, it is a law founded on the very nature of colonies, that they ought to have no culture or arts, wherein to rival the arts and culture of their parent country. For which reason, a colony, incapable of producing any other com-

modities than those produced by its mother country, would be more dangerous than useful; it would be proper to call home its inhabitants and give it up.

"Secondly, colonies can not in justice consume foreign commodities, with an equivalent for which their mother country consents to supply them; nor sell to foreigners, such of their own commodities as their mother country consents to receive. Every infringement of these laws is a real, though too common, robbery of the mother country's labourers, workmen and seamen, in order to enrich the same classes of men belonging to rival nations, who will sooner or later take advantage of it against those very colonies . . . .

"From these principles it follows, that colonies are designed for culture only, and that the navigation occasioned by that culture belongs to the seamen of the mother country."

Such was the "mercantile doctrine" as regards the desirable economic relation of colonies to the parent country. "The only use and advantage of the American colonies, or the West India Islands," said Lord Sheffield, "(is) the monopoly of their consumption, and the carriage of their produce; for that object alone we could be tempted to support the vast expense of their maintenance and protection."[1]

The establishment of transoceanic colonies at the opening of the seventeenth century gave a new and wider significance to the mercantile theory. Up to that time the motive back of the doctrine had been national, the aim and ideal now became both national and imperialistic, and as England was the leading and most successful country in planting permanent colonies of her own subjects, her navigation laws and acts of trade express the mercantile theory in its clearest and most logical form.

The commercial policy of England during the seventeenth and eighteenth centuries has been so fully and ably discussed by Mr. George L. Beer,[2] and the Acts of Trade by which that policy was carried out have been so clearly analyzed by Professor Herbert L. Osgood,[3] that it will be necessary, in this history of American commerce, only briefly to summarize the main features of that legislation, and to point out its principal effects upon the trade and industries of the British colonies on the continent of America.

ORIGIN OF THE NAVIGATION ACTS.

Some of the principles of the mercantile legislation of England antedated by many years the settlement of America. An act passed in 1381, when Richard II was King, provided "that, to increase the navy of England, no goods or merchandises shall be either exported or imported, but only in ships belonging to the King's subjects.[4] The

[1]*Observations on the Commerce of the American States*, 162.

[2]*Commercial Policy of England toward the American Colonies* (Studies in Hist., Econ., and Public Law, Columbia College, Vol. III, 1893, No. 2); *British Colonial Policy, 1754–1765; The Origins of the British Colonial System, 1578–1660; The Old Colonial System, 1660–1754.* Part I, 1660–1688. 2 vols.

[3]*American Colonies in the Seventeenth Century*, III, chap. vii.

[4]Chalmers, *Political Annals*, I, 257.

patent that Henry VII granted to the Cabots, near the close of the fifteenth century, stipulated that the commerce resulting from their discoveries must be with England. These and similar rules concerning trade were probably not enforced to much extent and they probably had comparatively slight effect; but the requirements which Richard and Henry imposed illustrate the theory held at that time by the people of England regarding the governmental control of maritime commerce.

The principles embodied in the Navigation and Trade Acts of 1650, 1651, and 1660, and of later dates, had certain immediate precedents in the provisions of the charters granted to the London and Plymouth Companies, in the various royal patents bestowed by the Charleses, and in the early regulations concerning the tobacco trade. The companies that made the first settlements in America were given the exclusive monopoly of the trade with their colonies, which meant that the commerce as it developed was to be with England. The purpose of the Crown to reserve to England the future commerce with America was well shown in the patent granted by Charles I to Berkeley in 1639, by which the patentee was "to oblige the masters of vessels, freighted with productions of the colony, to give bond before their departure to bring same into England . . . . and to forbid all trade with foreign vessels, except upon necessity."[1]

The first valuable import from the American settlements was tobacco, and as there was a strong demand for this in the Netherlands and elsewhere on the continent, England had much difficulty in monopolizing the market. Partly because the use of tobacco was thought to be undesirable but more for the purpose of deriving a revenue from the tobacco trade, the English government, in 1619, prohibited the growing of tobacco in England for sale; and the next year a monopoly of the right of importing tobacco into England and collecting the duties thereon was granted to two men for a year for £10,000. The London Company then arranged to dispose of the Virginia tobacco in the Netherlands, but in 1621, despite the pleas of the company for the privilege of freedom of trade, the Privy Council forbade the export of any product of Virginia to a foreign country until the commodities had been landed in England and had paid the English duties. This order was repeated from time to time, and the policy of the government did not change when the London Company was dissolved in 1624. However, as the quantity of tobacco grown in Virginia rose and the price fell, the incentive to evade the orders of the home government became so strong that not a little trade was carried on directly with the Netherlands, and indirectly by way of the Dutch merchants at New Amsterdam.

[1]Chalmers, *Political Annals*, I, 120.

During the stormy years of the Civil War preceding the period of the Protectorate in England there was no effort made to prevent the colonists from trading with the Dutch; hence it was that when order was established by the strong rule of Cromwell, a large share of the trade of the British colonies was handled by Dutch merchants and carried by Dutch ships. This was irritating to the English merchants; and when, in 1650, the Rump Parliament passed the act to compel rebellious Virginia, whose sympathies were with the Loyalists, to accept the authority of Parliament, the act included a clause (inserted as a war measure, it is true) prohibiting the ships of all foreign nations from participating in the trade of the English colonies, except under license from Parliament or the Council of State. The act was in general terms and included all countries, but was aimed at the Dutch. It was a temporary war measure hastily enacted, but it was superseded the following year by a carefully prepared navigation act.

THE NAVIGATION AND TRADE ACTS.

The Navigation Act of 1651 was enacted to exclude foreign ships from carrying the commerce between England and her colonies, and to require all foreigners to employ their own or British ships in shipping exports to England or its dominions. The act applied solely to navigation or the carrying of traffic and was intended primarily to cripple the Dutch; it did not give Englishmen a monopoly of English and colonial trade. Its chief provisions were:

1. That goods grown or manufactured in Asia, Africa, or America could be brought into England or its dominions only in ships of which the proprietor, master, and the majority of the mariners were English.
2. That goods grown or manufactured in Europe could be imported into England or its dominions only in English ships or vessels belonging to the country where the goods were produced.
3. That goods of foreign growth or manufacture could be brought into England only from the place of production or from "those ports where alone the goods can be shipped or whence they are usually first shipped."[1]

The act contained certain minor exceptions to its provisions. The forfeiture of cargo and vessel was the penalty for violation of the law. The extent to which the law was enforced and its effect on British shipping will be considered below. One consequence of the law was immediate. The act was intended to cripple the Netherlands, and it succeeded. War with that country followed the succeeding year, and the great naval struggle between England and Holland began—a conflict by which England, before the close of the seventeenth century, came to be the leading maritime country of Europe.

The act of 1651 applied only to shipping, or the ocean carrying business; the next and the most important piece of commercial legis-

[1] Beer, *Commercial Policy of England*, 31.

lation, that of 1660, related to ship-building, to navigation, and to trade. Its provisions regarding the construction and ownership of the ships employed in the British colonial commerce and in the import trade of England were:

1. That goods could be imported into or exported from the British plantations in Asia, Africa, or America only in vessels owned and built by the people of the realm (England, Wales, Berwick on Tweed), Ireland, and the English plantations. The master of the ship and three-fourths of the crew must be English.[1]

2. That the productions or manufactures of Asia, Africa, or America could be imported into the realm, Ireland, Jersey, and Guernsey, only in vessels built, owned, and operated as described above.

3. That articles of foreign production could be imported into the realm, Ireland, Jersey, and Guernsey, only directly from the countries where they were produced or from the usual places of shipment.

The act of 1660 so regulated the colonial trade as to give English merchants a great advantage over those of the Netherlands and other foreign countries. It provided that no alien should be a merchant or factor in the British colonies, and it enumerated seven colonial products (sugar, tobacco, raw cotton, ginger, indigo, and fustic and other dye woods) that could not be shipped from any plantation to any country or place except to another plantation or to the English realm. This list of enumerated articles was somewhat lengthened in 1706 and 1722, molasses, rice, and naval stores being added in 1706; copper, beaver, and other skins, in 1722.

In 1764, as one feature of Grenville's measures for taxing the American colonies, numerous additions were made to the list of enumerated articles, coffee, pimento, cocoanuts, whalefins, raw silk, hides and skins, pot and pearl ashes, iron, and lumber. Two years later, to prevent the colonists from buying manufactures from the continent of Europe, the final and drastic step was taken of requiring the non-enumerated (as well as the enumerated ones) to be shipped to England, or Ireland, or to some country south of Cape Finisterre.

Until after the end of the seventeenth century tobacco was the only enumerated commodity included in the export trade of the continental American colonies. Accordingly, the monopolization by the mother country of the market for the exported enumerated articles did not immediately affect the trade of the colonies north of Maryland. The grain, fish, naval stores, furs, etc., exported by those thriving colonies had an unrestricted market until the eighteenth century, when the naval stores, copper, and furs were enumerated. Moreover, when

[1]The word "English" as used in this law was intended to include the people of the colonies as well as those of England. The act of 1662 (14 Car. II, c. 11, sec. 5) removed all doubt on this question by stipulating that "Whereas it is required by the said Act (of 1660) that in sundry cases the Master and three-fourths of the Mariners are to be English, it is to be understood that any of His Majesty's Subjects of England, Ireland, and His Plantations are to be accounted English and no others."

naval stores were enumerated they were granted an export bounty to encourage their shipment to England.

To prevent the enumerated articles from being shipped direct from the colonies to foreign countries the act of 1660 provided that the master of a ship must, before sailing from a colonial port with any of the enumerated commodities on board, give a bond, with one surety—the bond being £1,000 for ships of less than 100 tons burden, and £2,000 if of greater burden—that the goods would be landed in England, Ireland, Wales, or Berwick. No restrictions were placed at this time upon the intercolonial trade.

To supplement the trade regulation provided for in the act of 1660 the statute of 1663 was enacted. The administrative features of the act of 1660 were strengthened by more stringent provisions regarding the filing of the bond to land the goods in the realm, and the declaration of the place of construction and of the ownership of the vessel. Disobedience of the law by the merchant or master was punishable by forfeiture of vessel and cargo. If the governor of a colony failed to enforce the act he was subject to removal and to a fine of £1,000. The English customs officers were, likewise, required under heavy penalties to enforce the law. The law stipulated that the productions of Europe could be exported to the British colonies only when laden and shipped in England, Wales, or Berwick on Tweed, and that the ships used to export the goods to the colonies must be built, owned, and manned by British subjects according to the act of 1660. An exception was made of salt, which might be sent from any European port direct to New England.[1] Wines might be shipped directly from Madeira and the Azores. The act of 1663 was intended to compel the colonists to buy all their imports from the merchants of England and Wales.

The law was not, as we shall presently see, capable of complete enforcement; but had it been strictly executed the influence upon the American colonies could hardly have greatly modified the course of the colonial import trade, because England was the chief producer of the manufactures desired by the American colonist. Moreover, the small quantities of continental wares purchased by the colonists would probably have been secured mainly at London—the chief trade center of Europe where most of the imports for America were obtained—instead of being bought directly from the continental exporters.

It will have been noted that the acts of 1651 and 1660 did not include Scotland, which until 1707 had its separate government. Until 1707, the people of England, Wales, Berwick on Tweed, Ireland, and the colonists were English according to the Acts of Trade, but the Scotchmen were not. The exclusion of Scotland from the direct trade with the colonies was objected to both by the merchants of Scotland and by the sugar planters of the Barbados, but without avail. There were

[1]Pennsylvania got the same privilege by 13 Geo.I, chap. 5; and New York by 3 Geo. II, chap. 12.

a few instances of Scotch ships being licensed to engage in the colonial trade, but Scotland was treated as a foreign country until the Act of Union of 1707.

The act of 1660 had imposed no restraints upon the shipment of commodities from one colony to another. The Virginia and Maryland planters took advantage of this to engage in an indirect export of tobacco to the Netherlands, by shipping the tobacco to New Amsterdam (until New Netherland was taken over by the English) and to New England, whence the tobacco could readily be taken direct to the Continent. The law was also more directly violated by transferring the tobacco from colonial to Dutch ships at sea. The colonial vessels that took the tobacco to the Continent would not care to return to America empty, nor would they be safe in seeking cargo in England; accordingly there were strong reasons for taking Dutch and other continental goods back for sale in the colonies. This illegal trading was carried on more or less regularly; but, as will be pointed out later, it probably did not constitute a large share of the total trade of the colonies.

To make the acts of 1660 and 1663 effective a law was enacted in 1673 providing that every vessel loading outbound from the colonies with enumerated articles, either must give a bond that those commodities would be landed in England, Wales, or Berwick (Ireland was not included), or must pay specific export duties. In other words, the intercolonial trade in the enumerated commodities must be carried on by way of England or be subject to export duties—at least this was the probable intention of Parliament. The ambiguous phraseology used gave a chance for diverse interpretations of its meaning. The Commissioners of the Customs in London were authorized to enforce this act, and they were empowered to appoint collectors of customs resident in the colonies to supervise not only the collection of the duties, but the granting of bonds and also the registry of vessels as required in the acts of 1660 and 1663. The London Commissioners appointed five collectors, one for each of the colonies of Virginia, Maryland, the Carolinas, New York, and Massachusetts.

Administrative problems were not solved by the act of 1673, and evasions of the law continued. Neither the Royal Governor of Virginia nor the colonial authorities of New England were disposed to enforce laws enacted to give the English merchants a monopoly of the over-sea and intercolonial trade in the "enumerated" articles of colonial export, and make England the exclusive market, or "staple," from which colonial imports might be obtained. In 1676, twenty-eight English merchants united in a formal complaint, and shortly thereafter the mercers and silk weavers of London made a protest, both alleging that New England had taken the place of England as the mart through which much of the tobacco exports and the imports of the several colo-

nies were being handled. It seems certain that the colonists were disposed to evade paying the export duties on enumerated articles shipped to a colonial port. If they paid the duty, they then felt that the commodities might rightfully be shipped from the intermediate colonial port direct to any foreign country.

An investigation of the working of the act of 1673, made by the Lords of Trade of the Privy Council, convinced them that the statute was ambiguous as regards the payment of duties, and the attorney-general was asked for an interpretation of the law. He interpreted the statute to require that in the case of the shipment of enumerated articles to another colony duties must be paid and bond also given that the goods were to be delivered either in England or in an English plantation. This meaning of the act of 1673 was adopted by the English Government and was written into the statute of 1696.

The act of 1696 was an administrative measure establishing machinery for the stricter enforcement of the previous acts, not only by means of executive officers but also through the aid of admiralty courts established for the purpose. During the reigns of William and Mary and of Queen Anne and the early years of George I attempts were made to give as much validity as possible to the act of 1696; but during the long period of Walpole's premiership, preceding the Seven Years' War, there was little done to execute the trade laws. Walpole placed the administration of the colonies in charge of the Duke of Newcastle, who treated the colonies with "salutary neglect."

The most drastic of British Acts of Trade was the Molasses Act of 1733, which "for the better securing and encouraging the trade of his Majesty's sugar colonies in America" placed duties so high as to be prohibitive of trade upon the rum, molasses, and sugar imported into the British colonies from the French, Dutch, Spanish, or Danish West Indies. The New England and middle colonies had found a large market in these non-British West Indian Islands for fish, flour, biscuits, lumber, cattle, and horses. These commodities were exchanged for sugar, which could be bought more cheaply in these foreign than in the British islands, and for molasses, of which the British islands could furnish only an inadequate supply. In addition to selling their own products the French and Dutch colonists also supplied the traders from New England, New York, and Pennsylvania with some manufactures from continental Europe.

The only possible course for the American colonists to follow was to ignore the act of 1733. The corn laws of England, the small market there for fish, and the fact that the importation of salted provisions was prohibited by England compelled the northern and middle American colonies to engage extensively in the West Indian trade to secure the coin, the bills of exchange, and the commodities with which to pay for the manufactures and other supplies they were obliged to have from

England. The American colonies could not have supplied themselves with these manufactures by domestic industry even had the English Acts of Trade permitted them to engage freely in manufacturing, instead of prohibiting, as they did, most manufacturing in the colonies except for strictly local markets.

The Molasses Act was an economic and political blunder on the part of England. It was intended to aid the declining sugar industry of the British West Indies, but its purpose could not have been accomplished without destroying the prosperity of the far more important continental colonies. It was a political mistake to pass a law that necessarily made law-breakers of all the American colonists; it would have been an even greater mistake to have attempted to enforce the act; the attempt to do this after the French and Indian War was one of the causes of the Revolution.

Complementary to the legislation, just summarized, enacted to regulate the trade of Great Britain with her colonies and of the colonies with each other, were the laws granting bounties and drawbacks to increase the trade in certain commodities, and the acts restricting or prohibiting certain manufactures in the colonies.

BRITISH REGULATION OF COLONIAL MANUFACTURES.

That the colonists should have engaged as early as the end of the seventeenth century in manufacturing to such an extent as to cause England to enact prohibitory legislation is to be explained mainly by the laws enacted during the reign of Charles II, placing heavy duties on grain imported into England, prohibiting absolutely the importation of salted provisions, and levying heavier duties on whale oil and blubber when brought to England in colonial than when imported in English ships. These laws prevented the northern colonies from marketing profitably, if at all, the surplus products of agriculture and the fisheries in exchange for British manufactures.

The tobacco from Maryland and Virginia found a welcome market in England, as did the other productions of the other southern colonies. The inclusion of tobacco, and later rice, among the enumerated articles somewhat limited, but did not seriously affect the development of the southern colonies. Those colonies could readily exchange their staple exports for the manufactures of England, and the laws of England restricting colonial manufactures had but slight influence in the agricultural plantations south of Pennsylvania.

The economic situation in the northern colonies was different. While their natural industries were those of agriculture and the fisheries, their population was qualified by temperament and antecedent training for engaging in manufacturing. The rich stores of timber for masts and lumber encouraged ship-building, the raising of sheep for wool was easy, and there were at least fair supplies of iron ore. With

these social and economic conditions prevailing within the northern colonies, and with the European market for their agricultural and marine products restricted, they would have engaged in manufacturing to the extent that their limited capital would have permitted had they not been prevented by the laws of Parliament. Had there been no restrictions placed by England upon the domestic industries or foreign trade of the American colonies, they would have devoted themselves chiefly to the extractive industries, because their available capital could, with few exceptions, have thus been more profitably employed than in manufactures; but had the policy of *laissez faire* been followed by England the northern colonies would have gradually developed a limited number of manufactures.

There were three important laws passed to restrict manufactures. The first, enacted in 1699, provided that the manufactures of wool, yarn, or woolen cloth in the English plantations were not to be sold outside of the place where they were manufactured,[1] *i. e.*, the goods were not to be exported abroad, nor sent outside of the colony. The making of woolen yarns and fabrics in the colonies was a domestic industry carried on chiefly during the winter months when outside work was not possible.

The second kind of manufactures that was restricted by British legislation was hat-making. Beaver skins being readily and cheaply obtained from the Indians, the manufacture of beaver hats became an industry of minor importance in New England, New York, and Pennsylvania, and some hats were exported to the West Indies, Spain, and Portugal. This alarmed the Company of Feltmakers of England, and in 1731 Parliament was successfully petitioned by the company to prohibit the exportation, after 1732, of hats from the colonies to England, to a foreign country, or from one colony to another. Parliament further regulated the industry by requiring the hat-makers to serve an apprenticeship of seven years and by prohibiting a master from having more than two apprentices. The law was not strictly enforced, and the colonists continued to supply themselves with at least a part of their beaver hats. The coarser hats were imported from England.

The most important industry of the colonies legislated against by Great Britain was iron manufacturing. The making of pig and bar iron was begun in a small way in the colonies at an early date—1645 in Massachusetts—but such an industry could not rapidly develop in an unsettled country where the scanty supply of labor and capital was most profitably employed in agriculture and the fisheries; hence it was not until well into the eighteenth century that the iron manufactures of the colonies became of such importance as to cause Parliament to consider the enactment of restrictive legislation. Virginia, Mary-

[1]10 and 11 William III, chap. 10, sec. xix.

land, and Pennsylvania began before 1730 to export pig iron in small quantities. In New York and New England the pig iron from their own furnaces was used at home, and bar and wrought iron were imported. Indeed, nails, tools, and other iron manufactures were imported into all the colonies.

As England was obliged to import iron in the eighteenth century, there was a difference of opinion as to the wisdom of interfering with the development of the industry in the colonies. It was conceded by all that the colonists should be encouraged in making and exporting pig iron; but the English iron interests were opposed to allowing the colonists to work up their crude iron into manufactures. The iron interests of England had their way only in part in the law which Parliament finally enacted in 1750. The act was a compromise measure that (1) permitted bar iron to be imported free of duty at London, and allowed pig iron to enter England at any port, (2) forbade the erection in the colonies of any mill for rolling or slitting iron, or any plating forge, and of any furnace for making steel. If such establishments were constructed they were to be abated as nuisances.

The passage of this act was followed by some increase in the exports of iron from the colonies to England, and in 1757, in response to numerous petitions, Parliament passed a law permitting bar iron to be brought into England, duty free, at any port, thus taking from London the monopoly it had under the act of 1750.

ENGLISH BOUNTIES, PREFERENTIAL DUTIES, DRAWBACKS AND OTHER ENCOURAGEMENTS TO COLONIAL INDUSTRIES AND TRADE.

In order to construct and operate the great number of ships required in British commerce, Great Britain needed large quantities of hemp, masts, lumber, tar, pitch, turpentine, and rosin. With the exception of lumber, Great Britain had to depend entirely upon foreign sources of supply, and most of the timber supply of England had been exhausted by the eighteenth century. These naval stores were purchased chiefly from Denmark, Norway, and Sweden, and as those countries did not purchase large quantities of English exports, the balance of trade was against England. To overcome this unfavorable balance of trade and also to free herself from dependence upon foreign countries for the materials necessary to maintain her navy, England decided, in the early years of the war of the Spanish Succession (1706), to grant bounties on naval stores exported from the colonies to England. The bounty on hemp was £6 per ton, on masts £1 per ton, on tar £4, on pitch £4, on rosin and turpentine £3. The exportation of lumber to England was encouraged somewhat later (1723) by placing timber of all kinds from the colonies on the free list. These bounties were maintained throughout the colonial period, with the exception that the amount of the bounty on tar, pitch, and turpentine was reduced in the second year of the reign of George II.

The exports of lumber from the colonies to England were not very large. Most of the trade remained with the Scandinavian countries, which were able to compete successfully against the American colonies. The results were different in the case of tar, pitch, turpentine, and rosin, which were produced very cheaply in the southern American colonies and were exported, particularly from the Carolinas, in such large quantities that as early as 1719 England began to have a surplus of these articles for reexportation.

The only other colonial product upon which Great Britain offered a bounty was indigo, an article that was secured mainly from France until after 1740, when the production of indigo was started in South Carolina. The success of the indigo industry in the Carolinas caused Parliament to pass an act in 1748 granting a bounty of 6d. per pound on indigo imported into England from the British colonies in America.

Certain other bounties of minor importance and of slight consequence were granted by English societies for fostering arts and manufactures, and several of the American colonies granted bounties to stimulate the production of various kinds of commodities. The bounties granted by the colonies will be discussed in the following chapter.

To increase the trade in, and incidentally the production of, several colonial commodities, England gave preferences in her import duties to numerous colonial products. While the general rule was that products from the colonies paid the same duties as commodities from foreign countries, exceptions were made regarding a number of the important colonial exports. Tobacco from America paid a lower duty at the English ports than did Spanish tobacco. Pig and bar iron were admitted duty free. Molasses paid no imposts after 1690. Whale fins and train oil were charged lower duty when brought to England in colonial vessels than when carried there by foreign ships. Indigo from the British colonies enjoyed a preferential duty, and after the beginning of the reign of George I it was exempted from all customs charges. Raw silk from the colonies was admitted without duty in 1750, and in 1751 pearl and pot ashes were granted the same privilege.

The export duties of England were so arranged as to encourage colonial productions in certain industries. Coal exported to the colonies paid less duty than when sent to foreign countries. Tea sent to the colonies was exempted from inland duties, and coffee grown in British plantations and brought to England might be reexported with the payment of lower duties than were placed upon coffee from foreign countries.

It was the leading principle of the British mercantile system to grant drawbacks in the case of the reexportation of imported commodities, the rule being to return to the exporter all but 2.5 per cent of the value of the commodity. To increase the production of certain

colonial commodities exceptions were made to this general rule. The drawback on colonial tobacco amounted to the entire duty. In the case of hemp no drawback was allowed on the raw product when re-exported to the colonies from England. The purpose of England was to compel the colonies to grow more hemp. Iron and ironwares, likewise, were granted no drawback when exported to British plantations. On the other hand, beaver skins were granted a drawback, but not so large as that given to other commodities.

The general effects of the system of drawbacks were greater in stimulating the export trade of England to the colonies than in increasing the colonial exports to England. Linens, for instance, imported from the Continent could be sold by British merchants in the colonies more cheaply than could English and Irish linens; and this must have been true, to a limited extent at least, of other articles of colonial import.

THE GRENVILLE, TOWNSHEND, AND NORTH ACTS, 1764-1770.

The foregoing survey of the British Acts of Trade includes the more important laws enacted for the purpose of applying the principles of the mercantile theory to the regulation of the trade and industries of the colonies. Most of these laws, with the exception of the navigation acts—those relating to shipping—were radically changed by the Grenville-Townshend measures adopted from 1764 to 1767, when the unwise and unsuccessful attempt was made to add parliamentary taxation to imperial monopolization of the trade and industries of the colonies. As Burke declared, this was "a new principle . . . with regard to the Colonies, by which the scheme of a regular plantation parliamentary revenue was adopted. . . . A revenue not substituted in the place of, but superadded to, a monopoly; which monopoly was enforced at the same time, with additional strictness, and the enforcement put into military hands."

The Grenville-Townshend acts were fiscal rather than commercial measures, and their enactment and attempted enforcement immediately interrupted or discouraged the trade of the colonies. These laws are to be regarded as the political measures that led to the American revolt rather than as a part of the commercial policy of Great Britain; and for this reason they require only brief mention in this connection.

Grenville's revenue act of 1764—the so-called Sugar Act—reduced the duties on colonial imports of foreign molasses, from prohibitory rates to a revenue basis, forbade the importation of foreign rum, retained the duty on foreign sugar, put duties on foreign indigo, coffee when not bought in Great Britain, wines direct from Madeira, Spanish and Portuguese wines from Great Britain, silks and other fabrics from Great Britain. What was of even more consequence, machinery for the enforcement of the law was set in motion. The list of "enumerated" articles was increased as was stated above, and the Stamp Act followed in 1765.

The opposition of the colonists to these laws was so strong that the British merchants lost their trade; and in 1766 the Sugar Act and the Stamp Act were repealed, and a law was passed imposing lower duties on the imports into the colonies. The revenues thereby obtainable did not seem to Parliament to be adequate, and in 1767 the Townshend acts were adopted, placing duties on glass, paper, painters' colors, red and white lead, and tea. Colonial opposition continued; the non-importation agreements of the colonists cut down the exports of goods from Great Britain; and in 1770 Parliament adopted Lord North's measure repealing all the duties imposed by the acts of 1767, except the tax on tea. The Boston "massacre" in 1770, the Boston Tea Party in 1773, and other significant events in the colonies, failed to convince the British ministry of their inability to administer unpopular tax laws in America by means of military forces and admiralty courts; and the colonies were allowed to enter upon their long and successful revolutionary struggle.

The final results of the Grenville, Townshend, and North acts for the taxation of the trade of the colonies were trade paralysis and political revolution. These measures belong to the period of transition from the colonial to the independent national existence of the British settlements in America rather than to the period of the development of the colonies under the guidance of the commercial legislation of the mother country. In studying the commerical and industrial effects of the British colonial policy attention may properly be confined to the legislation that preceded 1764.

EFFECTS OF THE BRITISH COMMERCIAL POLICY UPON COLONIAL INDUSTRY, COMMERCE, AND MANUFACTURES.

The laws for the restriction of the manufacture of woolen goods, hats, and iron products were successful, but the effects could scarcely have been important. The colonists could not have made woolens in competition with England either for export to Europe or for the intercolonial trade; nor would the manufacture of hats, if unrestricted, have had much development. The iron and steel industries were hampered; but as the regulative law of Great Britain was not enacted until 1750, it did not greatly affect the economic development of the colonies. The colonies south of Pennsylvania would, in any event, have exported their pig and bar iron, instead of working it up at home; New England used all her domestic production of iron and imported more from England. The iron industries of New York and New Jersey were not important in colonial times. Pennsylvania had a comparatively large output, but she exported but little crude iron, and regularly imported wrought iron and steel.

Drawbacks and preferential duties granted by Great Britain were a necessary part of the general system of giving British merchants a monopoly of the colonial trade; they made it possible for the colonists

to sell more of their commodities in Great Britain than the British required for their own consumption, and also permitted the colonists to secure, by way of England, the manufactures of the continent of Europe. The intention of the British statesmen was to make England the emporium of the export and import trade of the colonies, and to carry out that intention drawbacks and preferential duties were required.

The acts of 1651 and 1660 embodied the first important feature of England's policy towards her colonies. These laws, it will be recalled, had two distinct purposes: that of restricting the carriage of British and American commerce to ships owned by the people of Great Britain and the colonies, and that of securing to British merchants a monopoly of the larger part of the colonial trade.

The Navigation Acts—the laws applying to the ownership and operation of ships—were of unquestionable benefit to the colonies. In the New England and middle colonies the conditions were favorable to the development of the ship-building industry. The nearby fisheries and those off Newfoundland created a demand for ships and offered strong inducements to the colonists to engage in seafaring pursuits; the intercolonial and over-sea commerce of the colonies required the use of a relatively large tonnage of shipping, and the result was that the colonists north of Maryland engaged extensively in the building and operation of ships. Restriction of the colonial trade to ships under the British flag in no wise prevented the development of the colonies.

The Acts of 1660, 1663, 1673, and 1696, whereby Great Britain granted British merchants a monopoly of the larger part of the colonial trade, constituted the most significant feature of the commercial policy of Great Britain toward her American colonies. The effects of these laws were complex and it is difficult to measure or even approximately estimate the net results accomplished by the legislation.

In the first place it is somewhat difficult to determine the extent to which the laws were actually enforced and in what measure they were evaded. Postlethwayt,[1] writing in 1747, states that the colonists traded directly with Marseilles and Toulon, and that their ships returned directly from those ports with French and other European wares. He asserts that trade was also carried on with Holland, and he dwells at length upon the well-established fact that the Molasses Act of 1733 was practically disregarded. Lord Sheffield,[2] writing in 1784, stated:

"It is well known that from the first until some time after the year 1763, they [the colonists] uniformly did evade them [the Acts of Trade] whenever they found it to their interest to import the goods and manufactures of other countries with whom they traded; and notwithstanding our custom house officers,

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[1] *British Commercial Organization Explained*, 344.
[2] *Observations on the Commerce of the American States*, 248.

New England, New York, and Philadelphia carried on an almost open foreign trade with Holland, Hamburgh, France, etc., bringing home East India goods, sail cloth, Russia and German linens, wines, etc."

Weeden is also of the opinion that the Navigation Acts were largely evaded. In his *Economic and Social History of New England* he cites numerous instances to show the large extent of smuggling.

On the other hand, Professor W. J. Ashley[1] takes the position that, with the exception of the evasion of the Molasses Act of 1733, there was a comparatively small amount of smuggling done. Professor Ashley's reasoning is largely *a priori* and his argument is based upon the fact that, as most of the colonial trade must inevitably have been with the mother country, because that country was not only the best colonial market but also the market best able to supply the American settlements with the manufactures they required, there could not have been a very strong incentive for the colonists to engage in illegal trade. Mr. George L. Beer[2] also takes a conservative position:

"In the main the colonies consumed English and not French manufactures; few goods were imported directly from the European continent. . . . Likewise, in the main, the colonies sent the enumerated commodities to England. The truth of this is clearly apparent when we consider that by far the greater part of the rice and tobacco imported into England was reexported to other countries. While, on the other hand, the attempt to aid the English West Indies by the Molasses Act was a dismal failure, since it was contrary to all economic forces."

While it is undoubtedly true that the earlier writers overestimated the extent to which the American colonists engaged in illegal trading, there can be no doubt that the Acts of Trade, other than the Molasses Act, were more or less disregarded by many traders in the middle and New England colonies. There was some smuggling done in the southern colonies, but the inducement there was much less than in the North and the illegal trade must have been relatively unimportant.

In considering the question of smuggling or illegal trade, three facts should be borne in mind: First, that the colonists were Englishmen, who, from time immemorial, had been accustomed to smuggling as a regular practice. The illegal trade of the colonists probably only exceeded the illegal trade carried on off the coasts of Great Britain to the extent that it was possible to enforce the laws against smuggling somewhat more successfully in Great Britain than in America. Another fact to be remembered is that each of the colonies had laws for the regulation of colonial and foreign trade, and that much of the illegal trading was in violation of colonial laws as well as an evasion of the British Acts of Trade. Those who complained against illegal trade did not carefully discriminate between colonial and British legislation.

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[1]*Surveys, Historic and Economic*, 336–360.
[2]*Commercial Policy of England towards the American Colonies*, 142.

Illegal trading was more extensively carried on at certain periods than at other times. During the war of the Spanish Succession, in the early years of the eighteenth century, and also during the French and Indian War, the violation of the Acts of Trade was notorious. The same was true of the twenty years when Walpole was the dominant factor in English politics, when he turned over the administration of colonial affairs to the Duke of Newcastle, who treated the colonists with "salutary neglect."

SUMMARY OF THE EFFECTS OF THE ACTS OF TRADE.

A survey of the general effects of the Acts of Trade shows that the following generalizations are warranted:

1. The acts required most of the export and import trade of the colonies with the continent of Europe to take the roundabout route via England. This was not especially burdensome, however, because England was practically on the route to the continent, and England was the natural emporium for most of the colonial-continental trade with the exception of rice. The southern colonies found the necessity of sending their goods to England somewhat of a hindrance. The continent provided the market for the larger share of the tobacco. It would undoubtedly have been more profitable for the Maryland and Virginia tobacco exporters and for the Carolina rice planters to have been able to ship such of their exports as they desired, directly to the Continent.

2. The customs duties paid to England in the case of goods destined for the Continent were a tax on trade in spite of the drawbacks granted by Great Britain. The laws that required the intercolonial trade to be carried on via England, or, in the case of that carried on directly from one colony to another, to pay an export duty equal to the British import duties, was burdensome to the extent that the laws were enforced. At times they were rather strictly enforced in the case of some colonies. Even when the laws were not enforced they were, without doubt, a deterrent to intercolonial trade.

3. The political effects of the Acts of Trade were quite as important as their economic results. Great Britain's commercial policy towards her colonies tended to emphasize any opposition of interest between the home country and the plantations, instead of developing a feeling that both the mother country and her dependencies had a common economic welfare. The trade policy of England gradually undermined the sentiment of loyalty on the part of the colonists. It was for this reason, in part, that it was difficult for Great Britain to enforce the Acts of Trade.

4. In endeavoring to enforce her commercial legislation in the colonies, it was early discovered that the laws could not be made effective in the chartered colonies. To strengthen her administrative

system, Great Britain took away the charters of the northern colonies and made them royal provinces. This proved to be a political misstep. In the long run, Great Britain was certain to fail in her attempt to govern her subjects in America by royal governors. The political revolution which was brought about in England in the nineteenth century was worked out in America in the eighteenth century. The efforts of Great Britain to strengthen her colonial administration by depriving the colonies of self-government failed partly, because the British officers in the colonies were under strong inducements, social and otherwise, to side with the colonies and to permit the British laws to be disregarded. Some royal governors and some customs-house officials were conscientious in their efforts to enforce the laws, but many of these sided with the colonists as the easier and more desirable course of action to follow. Indeed, many of the royal governors, after endeavoring to administer the laws, found that the obstacles to be overcome were insuperable, and that it would be impossible for them to carry out their instructions.

5. In general, Great Britain's attempt to live up to the mercantile system in her relations with her colonies was a failure both for political and economic reasons. The enforcement of the Acts of Trade could have been possible only with a much higher degree than had been obtained of political and social unity between the home country and the colonies. The wide separation of the colonies from the home country, not only in distance but in the time required for communication, prevented the establishment of an administrative system effective enough to give force to the mercantile policy. The colonies were so far removed from the home country that they tended to develop an autonomous economic life. The British Acts of Trade accentuated the tendency towards autonomy.

In endeavoring to apply the mercantile system of legislation to her commercial relations with her American colonies, Great Britain failed, because she sought to treat the colonies as outlying parts of her realm. As a matter of fact, the American settlements were not parts of the British realm; they were colonies, and as such they could not be successfully brought under mercantile legislation. The chief benefits to be derived from the American colonies were commercial; but Great Britain failed to realize that, in order to trade with her colonies largely and successfully, they must be permitted to develop their resources and industries in the fullest and freest manner. This is true of all colonies at all times. The principle, however, was not understood by Great Britain or any other country until some time after the beginning of the nineteenth century.

CHAPTER IV.

COMMERCIAL POLICY OF THE COLONIES.

Legislative power of colonies over commerce, 54. Authority exercised by Parliament, the Privy Council, and King, 55. Import duties of the colonies, 56. The four purposes of import duties, 57. Export duties, 59. Bounties, 60. Inspection laws, 62. Embargoes, 63. Tonnage duties, 63. Regulation and administration of ports, 64. Summary of commercial legislation in the colonies, 65.

The commercial legislation enacted by the several colonies needs to be considered in connection with the British Acts of Trade; both conditioned the development of American commerce, and affected, at least slightly, the progress of industry. Just as England in the seventeenth century, and Great Britain in the eighteenth, endeavored to regulate the trade of the colonies so as to increase the wealth and add to the power of the realm, so each American colony attempted to promote its own interests by elaborate laws. To some extent, the legislative enactments of the mother country and her American dependencies were complementary, not only because they applied to the same subjects, but also for the reason that they sometimes sought to accomplish the same results.

The trade acts of the colonies merit careful study. They reveal much regarding the nature and importance of the commerce of the several colonies; they throw light upon financial and industrial conditions; and they illustrate some of the causes of the clash of British and colonial interests. In legislating for the regulation and promotion of their domestic industry and external trade, the colonies developed the principle of self-government and achieved a far greater measure of political autonomy than had been intended by crown or Parliament. Neither the restored Stuarts nor the determined George III could substitute centralized British authority in place of the ever-developing colonial self-government. Indeed, it was in the efforts of the mother country to regulate and tax the external trade of the colonies that its administrative weaknesses were strikingly shown. The British laws that interfered with trade were largely evaded by the colonies; and when England attempted to enforce her statutes and administrative requirements, a spirit of independence and revolt spread throughout the colonies.

The legislative authority exercised by the colonies over commerce was but slightly limited by King or Parliament. Theoretically, the English colonists were settlers of regions belonging to the crown because discovered by explorers bearing royal charters. When the King made grants of American territory to corporations or proprietors he conferred upon them general governmental control over their plantations and settlements, subject to such regulative interference as the crown might

deem necessary. In both corporate and proprietary colonies the actual government soon came to be administered in large measure by the local legislatures. Theoretically all the laws passed by the colonial legislatures were subject to review by the Privy Council and to annulment by royal veto; but, with the exception of the influence over colonial legislation exercised by royal governors in those colonies where the governor was appointed by the King, there was comparatively little control over colonial legislation exercised by the King and Privy Council.

Parliament might have legislated to a large extent regarding colonial matters, but, as a matter of fact, the acts of Parliament were confined almost exclusively to the Acts of Trade regulating the commerce of Great Britain and the external trade of the colonies. In the long struggle to curb the power of the King but little effort was made by Parliament to supplant the royal authority over the colonies.

The powers which from the beginning of the establishment of the colonies were possessed by the Privy Council were three:[1] (1) It was the highest administrative board of the British Government concerned with colonial affairs; (2) it acted, or might act, as a high court of appeal for the determination of cases brought before it from the colonial courts; (3) it had power, at least after the establishment of the royal colonies, to grant or withhold its approval of the legislative acts of the colonies.

Prior to the restoration of the Stuarts the Privy Council limited its functions mainly to administrative acts. The decisions of the colonial courts were not reviewed, nor was it the practice to approve or veto legislative enactments. The corporate colonies, such as Massachusetts, had practically complete autonomy. The proprietary colonies did not have such full control over their local affairs, but in actual practice the differences were not very great. While it was theoretically possible for the King to control the proprietor and for the proprietors to regulate both the executive and legislative actions of their colonies, the actual interference of the King was but slight. As Osgood says:[2] "In their relations with the King the proprietary provinces were nearly as independent as were the corporate colonies."

When the Stuarts attempted to deprive the corporate colonies of their charters and to increase the royal control of colonial affairs for the purpose of developing a unified and systematic administration, their effort was made ineffective by the English revolution of 1689; and, although William and the Georges sought to make more effective the royal power of veto over colonial legislation, to control the acts of the colonies through the appointment of royal governors, and to limit the colonial courts by subjecting their decisions to review by the Privy Council, local government still made headway in the colonies. During much of the time for three-quarters of a century following the year 1689, Great Britain's attention was so taken up with the struggle

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[1]Osgood, *American Colonies in the Seventeenth Century*, III, 16. [2]*Ibid.*, II, 440.

with France and with her continental wars that only intermittent efforts were made to extend and systematize her legislative authority over the colonies and her administrative control of their affairs. The consequence was that local self-government made such steady progress that the colonies, by 1760, had come to regard themselves mainly as self-governing bodies, related to Great Britain rather by ties of blood and economic interest than by political subordination.

The laws in regard to commerce enacted by the several colonies in the exercise of their practically unrestricted legislative power covered a large variety of subjects and were so unsystematic as to render classification and analysis especially difficult. This would naturally be true regarding the legislation of thirteen colonies acting not only independently, but, to some extent at least, with the intent of nullifying the acts of each other. Economic conditions in the several colonies differed largely and commercial legislation naturally reflected these variations. Moreover, the commercial legislation of most of the colonies was enacted to raise revenue; and as it was the practice to impose special taxes to meet particular and temporary needs, the laws were enacted without much reference to a well-defined policy. Again, there was the ever-present struggle between the colonial legislature and the royal governors, whose authority the colonists were always striving to restrict; and, as the most effective means of controlling the action of the governors was by laws regarding revenue, the commercial legislation was in some measure shaped by the changing phases of the controversies between the governors and the representatives of the people.

In discussing the commercial legislation of the colonies the laws may be treated under the following heads: Import duties, export duties, bounties, inspection laws, embargoes, tonnage duties, and port regulations. As each of the colonies passed many laws regarding all these topics, it will be necessary to avoid going into much detail.[1] The plan of discussion will be to state the extent to which the colonies, as a whole, legislated in regard to each of these topics, the purposes of the laws that were enacted, and the characteristic features of the legislation. Where definite results can be pointed out they will be stated.

IMPORT DUTIES.

Their revenue needs caused practically all the colonies, at one time or another, to impose duties on some of the commodities imported. This policy prevailed in spite of a general opposition to all laws restrict-

[1]The colonial legislation of the colonies is treated in detail in a book entitled *American Commercial Legislation Before 1789*, by Dr. Albert A. Giesecke. He began his study by making a tabular analysis of the provisions of the commercial legislation of each of the thirteen colonies in accordance with the classification above stated. From the tables thus made an analytical text was prepared discussing the more important details contained in the tabular analysis. The summary here given of the legislation is based on the work by Dr. Giesecke, who was one of the collaborators who assisted in the preparation of this history of American commerce.

ing trade. Every colony realized that its economic progress depended in a great measure upon the unrestricted growth of its maritime commerce. The view expressed in the minutes of the Pennsylvania Council in 1756 in regard to a proposed bill to levy certain imposts that "all were of the opinion that trade should be the last thing taxed; that exemption from duties and freedom of the port had more than anything else contributed to the increase of trade" probably voiced the sentiments of the majority of the colonists. The Pennsylvania bill of 1756 was opposed, because the legislators "were afraid this measure would divert" the trade from Pennsylvania to some other colony. There were only three colonies, Massachusetts, New York, and South Carolina, that adhered uninterruptedly to the plan of securing revenue by duties on imports; and in those colonies the duties were so imposed as to permit the largest possible development of the external trade.

The New England colonies, with the exception of Massachusetts, restricted imposts mainly to liquors and negroes. Connecticut and Rhode Island had no general tariff laws at any time, and the same is practically true of New Hampshire after 1722. Of the middle colonies, New York, whose policy was adopted about one hundred years prior to the Revolution, was the only colony that maintained an impost system. New Jersey and Delaware preferred to secure their necessary funds by other forms of taxation. It should be noted, however, that these two colonies had a rather small volume of maritime commerce. Pennsylvania imposed various duties on imports prior to 1723, after which for thirty-five years there was practically free trade. The expenditures for the French and Indian War necessitated a restoration of her duties. All the southern colonies levied imposts, the only exception being Virginia, which had free trade from 1644 to the close of the Commonwealth government in England.

The colonies had four purposes in levying imposts, different laws being intended to accomplish different ends:

1. The fiscal or revenue needs prompted most of the legislation. There is no evidence of an attempt to promote or to protect domestic industries by imposts. Bounties were granted and export duties were imposed to stimulate production; but the tariffs were non-protective, they were for revenue only.

2. The promotion of a direct trade with foreign regions of production was another aim of the impost duties. Several colonies granted lower duties or tariff exemptions in the case of commodities imported directly from the place of growth or production. Goods brought directly from England were also favored more than those from other countries.

3. The policy of aiding its own shipping was followed by each of five colonies, the lower duties granted to domestic ships being usually on cargoes brought directly from the place of production. Connecticut

and Virginia made the duties on wines and liquors lower; Maryland charged no duties on them when imported in domestic ships, and Pennsylvania allowed molasses to come in free, and Madeira wines at a reduced rate, if brought in Pennsylvania vessels. South Carolina's legislation was more elaborate. It provided that goods could be imported duty free in vessels built and owned by the inhabitants of South Carolina; for one-half of the regular duties in ships built in South Carolina and owned outside of the colony; and for three-fourths of the regular rates in vessels built outside of the colony but owned by its own inhabitants. This law, enacted in 1716, was repealed by the proprietors of the colony in 1719. Two years later, however, the colony reenacted the law and provided that a long list of dutiable goods might be imported at one-half duty rates in vessels built and owned in South Carolina, and at three-fourths the regular duty when brought in vessels built in South Carolina and owned by non-residents.

These laws favoring the direct trade and domestic shipping applied only to wines and liquors in the case of three colonies, and only to those articles and molasses in Pennsylvania. South Carolina alone applied the principle generally to import duties. These laws, however, were enacted during the latter part of the seventeenth and early part of the eighteenth century and had expired by limitation or repeal some time before the Revolution, doubtless because they discriminated against British shipping and thus met with the opposition of the home government. In the majority of the colonies the laws imposing import duties had, from the beginning, made exemptions in favor of goods coming from England. At the time of the outbreak of the Revolution the colonial laws not only favored English goods, but also avoided discrimination against British as compared with colonial ships.

4. In a few instances the colonies levied import duties to retaliate against their neighboring colonies. Maryland, as one of the results of the dispute over her northern boundary, sought to punish Pennsylvania by charging much higher duties on imports from that colony than from other sections. Pennsylvania, while generally inclined towards low duties, imposed a 10 per cent rate on goods from Maryland, New York, New Jersey, Delaware, and Virginia, because those colonies had imposed duties on her exports; although, with the exception of Maryland, they placed the same rate on goods from Pennsylvania that they did on articles from other colonies. Pennsylvania's action was taken because she felt that other colonies should treat her as well as she treated them. On two occasions Massachusetts retaliated against her neighbors by imposing discriminating duties to punish them for actions which were deemed to be unjust, but this legislation was only temporary; indeed, the retaliatory legislation of the colonies was neither general nor of great importance in their commercial history.

The import duties imposed by the colonies were both ad valorem and specific. The earlier laws provided usually for ad valorem rates, while

those enacted at a later date generally levied specific duties, the plan most favored during the later years of the colonial era being to enumerate certain articles which were made subject to specific duties, and to place general ad valorem duties upon all non-enumerated commodities, excepting those definitely exempted from imposts.

The articles which paid most of the import duties were wines, liquors, tobacco, sugar, molasses, cocoa, and dye woods, and, during the later years, tea. Wines and liquors, because they were luxuries, were charged a far higher rate than were other commodities, and were taxed by all the colonies, the purpose of the duties, however, being fiscal rather than ethical.

It was customary to grant a drawback of the duties in the case of reexported commodities; but this policy was more prevalent in the later than in the earlier years of the colonial period. It was not usual, except in Connecticut and Rhode Island, to refund the entire amount of the duty. The policy of giving drawbacks was applied chiefly to the duties on liquors and negroes, the purpose being not only to stimulate trade in those articles, but also to aid the manufacture of liquors. Possibly the exportation of liquors was favored because it was employed in the profitable though nefarious slave trade.

EXPORT DUTIES.

Duties were levied on export commodities by all of the colonies except Delaware and Rhode Island, but much less dependence was put upon this source of revenue than upon taxes on imports. New York, Maryland, South Carolina, and Virginia had more comprehensive levies upon exports than did the other colonies, which before the year 1750 had all repealed their export duties.

Taxes upon exports were laid mainly for three reasons: to secure revenue, to stimulate domestic production, and to encourage direct trade, the revenue purpose being the most important. Efforts to increase the direct trade by means of these duties were made by only two colonies, and they did not continue the policy after the beginning of the eighteenth century.

Tobacco, skins, furs, and lumber were the commodities upon which the heavier export taxes were placed, but the list of other articles whose export was made subject to payment of light duties was comparatively long. Among the miscellaneous articles which, at some time, were subjected to export duties by one or more colonies, were fish, meat, wheat, pitch, tar, iron, and wool. For a while Maryland placed a 10 per cent ad valorem duty on all European goods reexported from the colony. New York imposed a duty on goods sent up the Hudson River to the Indians—a unique law that was enforced until the outbreak of the French and Indian War.

The nature and purposes of the export duties may be indicated by referring to those placed upon tobacco, lumber, and skins. Maryland

and Virginia naturally were the colonies which levied the duties on tobacco, and, as this was their chief staple product and was practically all exported, these duties provided a reliable source of revenue. The Maryland laws date from 1641; those of Virginia from 1657. The taxes levied by Maryland on exported tobacco were intended entirely to secure revenue for various purposes. Virginia, on the other hand, framed her laws with a view to encouraging trade and effecting its distribution. The tobacco shipped in vessels owned by Virginians was usually exempted from duties, and it was customary to remit the duties or impose lower taxes on tobacco sent direct to England. For a time before 1660 the Dutch and all foreigners were required to pay especially heavy duties, but by the British Acts of Trade of 1660 the colonial trade was restricted to British and colonial ships.

Export duties on lumber were levied by five colonies, and, with the exception of South Carolina, the duties were imposed where ship-building and coopering were important industries, one evident purpose of the laws being to protect the domestic manufactures against an exhaustion of desirable lumber. Connecticut and New Jersey imposed heavier duties upon timber and for a longer time than did the other colonies. The duties were placed upon shipments to other colonies rather than upon those to Great Britain, and laws were enacted to preserve the timber supply. The three other colonies that had export duties on lumber (New Hampshire, Massachusetts, and South Carolina) repealed the laws early in the eighteenth century and their legislation upon this subject lasted for only a few decades.

Furs, skins, and hides were subjected to export duties by all the southern colonies and by some of those in the North, eight in all. South Carolina and Virginia levied these duties practically throughout the colonial period, while most of the other colonies repealed these charges before the middle of the eighteenth century. The reasons for this are manifest. During the early decades, while an abundant supply of furs could be obtained and exported and while the colonies had few taxable industries, it was natural that these export duties should have been levied. With the decline in the supply of furs and the consequent decrease in their export and with the development of industries and trade, the export duties on skins and furs were mostly all repealed. The export charges had the effect of increasing the supply available for domestic users of furs and skins, and it is probable that they were imposed partly to protect the home industries.

BOUNTIES.

The granting of bounties to induce the colonies to produce and to export certain articles desired by Great Britain, as was previously explained, was a definite part of the British commercial policy. At various times Great Britain gave bounties to the colonies to increase their exports to England of flax, hemp, silk, fish, pitch, tar, potash,

timber, yards, masts, wine, rice, and tobacco. This policy of the mother country was supplemented by bounties granted by all the colonies except Delaware. The southern colonies had the most comprehensive and liberal laws, while New England gave more emphasis to the policy than did the middle colonies.

The colonial bounties were of two distinct kinds: those to aid production and those to increase exports. Bounties to increase the growing of hemp and the making of flax were granted by most of the colonies, they as well as the mother country being especially desirous of securing a greater supply of materials for the manufacture of cloth, canvas, and other linen stuffs. With the exception of Massachusetts—and in her case the exception was but for a short time—the bounties were granted only for hemp and flax and not for the manufactured article. This is easily accounted for by the fact that the British need was for the raw materials rather than for the manufactures, and also by the fact that the colonists were not prepared to engage to any considerable extent in anything but strictly domestic manufactures.

The growth of silk was aided from time to time by Connecticut, New Jersey, South Carolina, and Virginia. The growth of wheat was encouraged by bounties in South Carolina, Georgia, Virginia, and Massachusetts, and in the case of South Carolina and Massachusetts an additional bounty was granted for the manufacture of flour from home-grown wheat. During the Revolution the scarcity of salt induced the colonies generally to grant special bounties on that article. During the colonial period, however, only Virginia and South Carolina had thought it necessary to grant salt bounties. Among the other articles that received bounties were wine, olive oil, and indigo, which were raised by South Carolina; whale bone, whale oil, and codfish by Rhode Island, and ship-building, which was encouraged by bounties given by Virginia and South Carolina.

With the exception of hemp and flax, it is probable that these bounties on production had but comparatively slight effect.

The exportation of commodities received less aid from bounties than production did, most of the bounties to aid exports being granted by Virginia, North Carolina, and South Carolina. The list of articles aided included tar, hemp, flax, pot and pearl ashes, saltpeter, indigo, cotton, and ginger. In order to secure an export bounty the shipper was required to produce a certificate from the county justice stating that the articles had been actually produced within the colony by the person claiming the bounty. Before the bounty was paid it was also necessary to show a certificate executed by the proper official at the port to which the commodities had been shipped.

What the effects of the bounties on exports were would be difficult to measure. Some of the articles aided, for instance, pot ashes and indigo, came to be exported in large quantities during the eighteenth century, and it is probably safe to assume that the trade in these

articles developed earlier and reached a larger proportion than would have been the case had they received no aid from bounties.

It should be noted that production and trade were aided in numerous ways by the colonies. Bounties constituted only one, though the most important, method of giving assistance. As Mr. Fisher says:[1]

"Aside from the usual method of granting pecuniary bounties proportional to the amount of the product, prizes were offered for the first or the best produced; taxes were remitted to manufacturers; monopolies of the market were given for limited times; lands were granted; bills of credit and loans were issued to the projectors of mills; producers were exempted from military duty; certain articles were either made receivable for taxes or were constituted general legal tender; and in many cases the declared purpose was to promote domestic production. The branches of industry thus helped by the colonial governments were not only those engaged in the production of raw materials and naval supplies, but also manufactures, as of salt, powder, firearms, iron, linens, cottons and woolens."

INSPECTION LAWS, EMBARGOES, AND TONNAGE DUTIES.

The export trade of the colonies was most carefully regulated by inspection laws enacted primarily for the purpose of preserving the reputation in the foreign market of the articles shipped abroad. As the commerce of the colonies increased in quantity and variety the inspection regulations became more detailed. In a few instances imports were subject to inspection, but the legislation regarding imports was comparatively unimportant.

Different colonies provided for the inspection of various articles, but the inspection of beef and pork was insisted upon everywhere. In New England and New York exported fish was carefully inspected, and in every colony, except Delaware, the laws provided for official measurement and inspection of exported timber and lumber. Among the other articles worthy of special mention because of the rigid inspection of exports are tobacco, flour, bread, and naval stores. Special care was taken to prevent the exportation of tobacco of poor quality. The colonies from which liquors were shipped abroad provided for the official gaging of casks, and in the case of nearly all the commodities exported the government passed such laws as were deemed necessary to prevent the shipper from deceiving the foreign buyer.

The temporary prohibition of all trade in certain commodities was frequently deemed necessary. Whenever any colony was threatened with a scarcity of the domestic supply (as of food), all exports were prohibited. During the war periods, as from 1756 to 1763, embargoes were usual; and in a few instances trade was prohibited for the purpose of protecting home industries. The earlier embargoes were laid to prevent the scarcity of provisions, whereas during the later colonial period (for instance, during the French and Indian War) the exporta-

[1]Fisher, *American Trade Regulations Before 1789* (Papers of the Amer. Hist. Assn., III, No. 2, 1889), p. 470.

tion of commodities was prohibited in order to prevent their reaching the enemies of the colonies and of Great Britain. Embargoes due to war covered not only food supplies but munitions of war and naval stores. During the French and Indian War Georgia and Virginia alone failed to place an embargo upon the export of these articles, but it is well known that these embargoes did not deter the colonists from selling large quantities of supplies to the French. This constituted a serious grievance of Great Britain against her colonies, whom she regarded as being thereby disloyal to the interests of the mother country.

There are but few instances of the use of embargoes to aid or to protect home industries. New Hampshire for a while prohibited the exportation of iron ore; Virginia, upon two occasions, and Maryland in one instance, stopped the exportation of wool and scrap iron. Several colonies, for purposes of protection, placed temporary prohibitions upon the exportation of skins and hides, and some of these embargoes prevented the shipment of these articles to certain countries, while allowing them to be sent to others.

There were two methods of imposing embargoes upon trade. The more usual method was by special legislative enactment, but in the case of five colonies the governor was authorized to declare embargoes under certain legally prescribed conditions. In a few cases, the embargoes became automatically effective when prices exceeded a specified limit fixed by law. Instances of this are to be found in the legislation of Virginia and Pennsylvania.

With the exception of Delaware and New Jersey all the colonies imposed tonnage duties practically throughout the colonial period, these being among the earliest methods of taxation. At the beginning the tonnage charges were levied mainly to raise money for the defense of the colonies and particularly for the construction and maintenance of forts at the entrance to the harbors; and it was customary to permit the master of the vessel to pay his duties either in cash or in powder. For this reason the early duties were often designated as "castle" duties or "powder" money. During the eighteenth century the revenues from tonnage duties were devoted to the maintenance of lighthouses, and, in a few instances, for beacons, buoys, and seamen's hospitals.

In levying the tonnage duties it was the usual, but not the invariable, practice of each colony to favor the shipping owned by its own inhabitants. Similarly, the vessels engaged in the coasting trade were generally treated more liberally in the tonnage tax laws than were vessels engaged in the over-sea trade; and it was customary (particularly in New York, Pennsylvania, and New England) to favor the shipping owned by the inhabitants of neighboring colonies. This policy, however, did not prevail in the South, although there are one or two

instances of lower tonnage duties being granted to vessels owned by the people of nearby colonies. Occasionally British ships were exempted from colonial tonnage taxes, but this was not the common practice.

In general, it may be said that the tonnage-tax laws of the colonies were similar to those imposed by Great Britain, and that there was a greater uniformity among the several colonies as regards these laws than was true of other branches of colonial legislation.

REGULATION AND ADMINISTRATION OF PORTS.

Every country finds it necessary to provide for the careful regulation of commerce at its ports and to care for the improvement and administration of its harbors. The ports at which commerce may be carried on must be designated, measures must be taken to prevent smuggling, the registration of vessels of domestic ownership must be required, wharfage duties and port fees assessed and collected, pilotage provided for, quarantine rules carried into effect, and the laws for the protection of seamen enforced. These and other details of port administration comprise an important phase of commercial regulation.

The difficulties connected with the enforcement of its port regulations and the expenses of maintaining customs and other officials made it necessary for each colony to restrict its maritime commerce to a limited number of ports. The southern colonies, however, whose seaboard was especially long, were obliged to have a relatively large number of ports at which trade might be carried on.

Most colonies did little to improve their harbors. The small ocean craft used in the seventeenth and eighteenth centuries were able to enter the natural and unimproved harbors, but the safety and convenience of shipping often required the placing of beacons and buoys. With the exception of three colonies, port improvements were made from time to time under the auspices of the executive branch of the government, or by temporary commissions; but in North Carolina, South Carolina, and Pennsylvania the improvements were placed in charge of permanent harbor commissions, the Pennsylvania authority being called the Board of Port Wardens for the Port of Philadelphia.

Each colony had the requisite port officials for the execution of its laws, the collector of the customs, the naval officer, and at some of the ports a powder receiver and a comptroller. The collector of the customs and the naval officer were intrusted not only with the administration of the colonial laws but also with the enforcement of the British Navigation and Trade Acts. The difficulties encountered by these officials in the execution of their duties and the extent to which smuggling prevailed are considered elsewhere.

Some of the more important phases of the policy of the colonies in the administration of their ports and the regulation of trade are illustrated by the laws passed by nearly all governments regulating

rates which the owners of wharves, docks, and storage facilities might charge the public for their use; by the legislation concerning pilotage enacted by all the colonies except New Hampshire, Rhode Island, New Jersey, and Maryland; and by the legal safeguards thrown about seamen to protect them from unjust treatment by their masters or by others. As was customary, not only in America, but in all the ports of the world, numerous petty fees were charged by the officials in charge of the ports for the performance of their duties. The coasting trade was frequently favored by imposing lower port fees upon vessels engaged in that traffic.

The commercial legislation of the colonies, like that of England, was based upon the mercantile theory of strict regulation. In applying this theory to the economic and political conditions of the New World, the colonial laws differed widely in detail from those of the mother country, but they were based upon the same concept of the government's duty as the controller of all economic affairs. The colonists sought to promote their industry and trade by governmental measures similar in provisions and in minuteness of detail to those by which England was aiding her producers and merchants.

Except in so far as it was for fiscal purposes, the commercial legislation of the colonies was to aid shipping and to regulate and promote trade; and was not in many instances enacted to further the interests of production. The legislation, speaking generally, was commercial rather than industrial or protective, although the bounties were intended to aid both trade and industry. The export duties, likewise, were not alone for revenue. They sometimes were levied to protect the domestic manufacturer and consumer from a depletion of his supplies; and were occasionally so framed as to discriminate in favor of domestic shipping and direct trading.

CHAPTER V.

THE EARLY DEVELOPMENT OF AMERICAN COMMERCE FROM 1660 TO 1700.

The history of the external trade of the colonies from 1660 to the War of Independence can be presented to advantage by considering it from three points of view: The commerce of the colonies considered as a whole; the industries and trade of the natural territorial subdivisions, New England, the middle and the southern colonies; and the trade of the colonies with the different sections of the world with which commerce was carried on, Great Britain, the continent of Europe, the West Indies, and Africa. The exchanges of the colonies with each other, which were of less volume and value than was their over-sea trade, will receive separate treatment in another chapter.

It will be convenient and add to clearness to subdivide into two parts the period of one hundred and fifteen years of the development of the commerce of the American colonies under the British Acts of Trade as enacted in 1660, and to discuss in turn the last four decades of the seventeenth century, and the seventy-five years of the eighteenth century that preceded the Declaration of Independence.

The close of the seventeenth and the beginning of the eighteenth century marks a good point of time at which to take a survey of colonial commerce, to note what progress has been made, and to take account of the political and economic conditions to which trade development was subject. All of the colonies, except Georgia, had been settled by 1700; their political institutions had been given permanent form by the reorganization of their governments following close upon the overthrow of the Stuarts and the accession of William III; in each colony the settlers had ascertained what industries were profitable; and the lines of external trade had been marked out.

The policy of trade regulation adopted by England upon the restoration of the Stuarts had been continued and strengthened by Parliament after William came to the throne; and, with the exception of the unenforced Molasses Act of 1733, there were no trade laws passed by Parliament from the beginning of the seventeenth century until 1764—not even the acts limiting certain colonial manufactures—that may rightly

be considered to have effected or to have been capable of effecting any important change in the principles underlying British regulation of American trade. Accordingly one may generalize, with fair accuracy, that the early development of American commerce under the British Acts of Trade occurred during the later decades of the seventeenth century, and that the larger growth of that commerce took place between the early years of the eighteenth century and the beginning of the struggle of the colonies for economic and political independence. This chapter is concerned with the period from 1660 to 1700.

ECONOMIC AND POLITICAL STATUS OF THE COLONIES FROM 1660 TO 1700.

Before entering upon an account of the trade of the colonies during the last forty years of the seventeenth century, a brief survey of the status of the several colonies at that time may well be taken in order to secure the necessary background to the presentation of the commerical events.

Until near the close of the seventeenth century, the limited resources and sparse population of the colonies and the vigorous opposition of the Indians kept settlement within a narrow strip along the ocean from the Kennebec River, Maine, to, or slightly beyond, the Ashley River in South Carolina. The English and French were contending for the region east of the Kennebec, while the claims of the Spaniards extended as far north as the Savannah River. In the Connecticut and Mohawk valleys two frontier sections had been occupied; but the Great or Appalachian Valley of Pennsylvania, Maryland, and Virginia had not yet been invaded by white men. It was not until the last decade of the century that even the towns near the seacoast were safe against Indian forays.

The number of people in the colonies from 1660 to 1700 is not known. Estimates make the population of New England about 90,000 at the end of the century; in the middle colonies there were probably 75,000 persons; in Maryland and Virginia between 90,000 and 100,000; and in the Carolinas possibly 20,000 or 25,000. Apparently the total population, white and black, in 1700 was between 250,000 and 300,000.

The settlers of New England and of all the southern colonies were mainly English, a small French Huguenot settlement in South Carolina forming a minor exception. There were some negroes in all sections, but the number of blacks increased from the North towards the South, the negroes outnumbering the whites in South Carolina at the end of the century. In New York, the Dutch probably were in the majority; and Pennsylvania contained Swedes, Dutch, and some Germans, as well as the English Quakers who constituted the main body of the inhabitants.

New England led in general economic development; Virginia and Maryland in the value of agricultural productions. The most serious

check to New England's progress during the forty years following 1660 was given in 1675–76 by King Philip's war, which practically destroyed the beaver trade, seriously retarded the fisheries, and burdened agriculture with heavy losses. In general the twenty-nine years of the rule of the restored Stuarts were unfavorable to the development of New England and the other colonies, but the main consequences of the misgovernment of the Stuarts and of the régime of Andros were political rather than economic.

New York advanced slowly during the seventeenth century. The English conquerors had perpetuated the patroonship system of land tenure, and had continued the burdensome taxes on trade. It was not until the eighteenth century that the agricultural resources of New York and her natural advantages for trade began to exert their due influence; indeed, it was after the opening of the nineteenth century that the third barrier to the settlement and the economic progress of New York, the occupation of the larger part of her territory by the firmly seated Six Nations, was finally overcome. Although New York has long been the Empire State, it was not the empire colony.

The Jerseys, likewise, under Carteret and Berkeley, the proprietaries to whom the territory was granted in 1664, made relatively slow headway until after the Jerseys became a crown colony in 1702. The proprietors were chiefly concerned with deriving a revenue from their possession, their rights were frequently bought and sold, and the colonies were not well governed. "Controversies among the proprietaries themselves, between the proprietaries and the inhabitants, and between the colonies and their neighbors rendered a rapid and prosperous growth practically impossible."[1] In the seventeenth century, and for a longer period, East Jersey was, economically considered, a dependency of New York, and before the close of the century Philadelphia had become the principal entrepot for West Jersey.

Pennsylvania and Philadelphia developed rapidly from the start; not only because of the zeal and success of the Quakers and others whom Penn sent out and brought over in the early eighties to settle at and near Philadelphia, but also because the Swedes and Finns who settled along the lower Delaware as early as 1638, and the Dutch who arrived in the region in 1631 and again in 1638, had started the economic development of the basin of the tidal Delaware long before Philadelphia was founded. Penn's colony was not obliged to pass through the doubtful years of uncertain struggle that nearly wrecked the Jamestown and Plymouth plantations. Penn's conciliatory policy towards the Indians made them his trade allies rather than his armed foes, while the prosperous farms along Delaware Bay furnished the Pennsylvania settlements with needed supplies, and early made Philadelphia an important center of both domestic and over-sea trade. Thus it was that by the end of the seventeenth century, before Phila-

[1]Andrews, *Colonial Self-Government*, 128.

delphia was twenty years old, Pennsylvania had a well-established trade with Europe and the West Indies, as well as with the other colonies; indeed, Penn stated, as early as 1683, that the colony had a surplus for export.

The development of Maryland and Virginia was relatively slow during the later decades of the seventeenth century. In each colony the culture of tobacco by plantation methods had become the chief activity of the people, and while each colony made headway, Virginia holding first place among all the colonies, both suffered from internal dissensions, and Virginia was afflicted with a costly Indian war. In Maryland the internal troubles were due to the strife of Protestants and Catholics and to the opposition of the people to the selfish and inefficient rule of the proprietaries. In Virginia, Governor Berkeley's long régime of inefficiency was made doubly detrimental by the Indian war of 1675–76, and the contemporaneous unsuccessful rebellion led by the incompetent Bacon. Berkeley ceased to trouble Virginia in 1677, but the other governors sent out by the Stuarts were little if any better, and it was not until the last decade of the century, when the English revolution had brought about a reorganization of the colonial governments, that Virginia was permitted to enter upon a period of prosperous growth.

With the exception of the small settlement made at Albemarle from Virginia, about 1660, the Carolinas remained without successful colonization until 1670, when Ashley founded Charles Town. The favorable location of Charles Town soon made it an important center, but the growth of South Carolina was not rapid. The progress of Albemarle and North Carolina was much slower. Both suffered from bad government, due mainly to the conflicting interests of the proprietors and the colonists. The persistent but unsuccessful attempt of the proprietors to force Locke's "Grand Model" government upon the struggling settlements in the American wilderness is well known. The only consequence of the attempt was to arouse the opposition of the colonists and to retard the development of the colony. A change for the better in political conditions came after 1690 in the Carolinas, as it did in most of the other colonies.

Georgia was founded by Oglethorpe in 1732. There were some temporary settlements south of the Savannah before the year 1700; but Georgia was merely a source of furs until it began its existence as the "buffer" colony organized by the English for the purpose, among others, of holding the Spanish and French in check.

LEADING INDUSTRIES OF THE COLONIES FROM 1660 TO 1700.

While the trade of the colonies was affected by the political conditions to which reference has been made, it was dependent upon and associated with industrial activities. The leading industries of the different sections were widely variant, but were few in number and may be readily reviewed.

In general, it may be said that practically all of the industries characteristic of the economic life of America during the colonial period had been inaugurated before the end of the seventeenth century. Certain manufactures, notably those of iron, had by that time made only slight beginnings; but as most kinds of manufacturing were confined mainly to those carried on in the homes or in the towns to meet strictly local needs, as the work of millers, smiths, wheelwrights, etc., the changes that took place during the eighteenth century were chiefly those that came from growth rather than from any revolution in industrial methods or activities.

In discussing the beginnings of American commerce during the period from 1600 to 1660 (Chap. II), brief references were made to the natural resources of the New World and to the industries by means of which the colonists first secured a living and obtained the products that were exchanged in their domestic and external trade. Supplementary to what was said there it is desirable, in this connection, to make a summary statement of the economic interests and occupations of the colonies as a whole, and of the northern, middle, and southern sections severally during the later decades, and at the close of the seventeenth century.

Agriculture was the chief occupation of the great majority of the people in all the colonies, even in New England, which had the most diversified economic life. There were, however, wide differences among the colonies in the crops grown, the methods of culture, and the manner of living. The farm in New England was small and was cultivated mainly by the owner and his family. The farmers sometimes lived upon their own land, and often in small villages from which they worked their outlying farms, as had been customary with them and their ancestors in England. The soil was relatively unproductive, cereals and corn were raised with difficulty, and pulse and potatoes were important articles of food. In New York the patroonships persisted; but the farm of medium size owned in fee simple was becoming more and more characteristic. Cereals were the main crops. The Pennsylvania farm was larger than the average holding in New England, the soil was more fertile, cereals and corn were more extensively planted, and larger use was made of hired labor.

Plantation farming prevailed generally in Maryland, Virginia, and the Carolinas. The holdings were especially large in South Carolina and Virginia, although the size of Virginia plantations was kept in check somewhat until 1699. In that year Virginia repealed a law that had limited any planter's holdings to 50 acres per servant or person whom the planter had brought into the colony. The vast plantations of Virginia were mostly acquired during the eighteenth century. The large plantation was organized with a view to producing one staple crop, as tobacco or rice, for sale, and such cereals and other foods as

the plantation required. The economic ideal was single-crop farming, the sale of the farm products, and the purchase of all manufactures and supplies other than such tools and homespun clothing as the plantation hands could make. Virginia and South Carolina depended almost entirely upon slave labor; Maryland less exclusively so. Tobacco was almost the sole export crop of Virginia and Maryland during the period under consideration. In the Carolinas there was more diversification in production, but before the year 1700 rice had become the chief export staple.

The trade in furs carried on in all the colonies with the Indians had from the earliest days of settlement contributed an important item to the sum total of their external trade. This trade continued through the seventeenth and eighteenth centuries, growing less in volume with the steady advance of settlement and shifting in location as time went on. While the colonial fur trade was largest in New York, it was actively prosecuted in New England, the middle colonies other than New York, and the southern colonies. The Indian wars between 1670 and 1680, King Philip's War in New England, and the war in Virginia in 1675–76, seriously checked, although they did not end, the fur trade, even in New England and Virginia.

The continued growth of the British colonies in America could mean only the decline of the trade with the Indians. The Briton displaced the Indians; he did not assimilate with them, as the French and Spaniards were wont to do. The French were most successful fur traders, and the Canadian wilds, instead of the forests back of the British colonies in America, had by the close of the seventeenth century come to control an increasing share of the fur-export trade. From the industrial and commercial point of view this was no misfortune for the British colonies, because their capital and labor were more profitably devoted to other pursuits than trading with the Indians.

Throughout the colonies, the valuable natural resources of the forests were appropriated and made to contribute to commerce and wealth. Clapboards and other lumber were among the earliest exports from America, and throughout the colonial period the exports of timber and lumber, masts, naval stores, and ships were a prominent feature of the external trade. Housebuilding materials went to the West Indies and Europe, ships and ship-timbers were sold mainly in Great Britain, whose laws favored the exportation of these articles from the colonies. New England led in the construction of ships and in the exportation of masts, but New York and Pennsylvania each made its contribution. The southern forests supplied the pitch, tar, and rosin and the durable yellow pine for the construction and equipment of vessels.

It is a satisfaction to know that the colonists were able to derive as much wealth as they did from the vast forest resources. Unfortunately, the settlement of the country and the development of agriculture

necessitated the destruction of the forests. The land had to be cleared; the tree was the foe of the farmer. Thus it was that for two and a half centuries in America the larger part of the forests had to be destroyed at great expense instead of being profitably utilized. The situation has now changed and the American people are spending large sums to maintain and enlarge the remnants of their once seemingly limitless forests.

Next to agriculture, the sea fisheries yielded the most wealth of the several colonial industries, and they also held a prominent place in the external trade. The Grand Banks fisheries, which had been prosecuted since the early part of the sixteenth century by men from England, France, and Portugal, were followed by an increasing number of the people of New England during the colonial and early national periods. The catching of cod on the various banks off the New England shore naturally developed as settlement progressed, and from 1668 on, deep-sea whaling became a business of expanding importance. Sea-food was a valued asset in all the colonies, but the towns from which the commercial fisheries were carried on were mainly in New England, although there was some trade in fish by the colonies on the New York, Delaware, and Chesapeake bays.

Most of the manufacturing done in the colonies was to supply domestic and plantation needs; but, from the earliest days, forest products were prepared for export, lumber of different kinds, masts, and, somewhat later, naval stores. Provisions and flour and rum were early added to the over-sea shipments, particularly to the West Indies. The colonists also found a limited market in supplying the ships with their needed stores, and until some time after the close of the seventeenth century the traders, especially those in southern ports, were not particular about inquiring whether the shipmasters were engaged in mercantile or piratical pursuits.

The manufactures which early gained and long held special prominence were New England rum and ships. The rum industry created a demand for West Indian molasses, thereby made a larger market for New England's exported fish, lumber, provisions, and live animals, and supplied the slave-traders of Newport and other towns with the commodity with which African negroes could be purchased. The sale of negroes in the southern colonies and the direct shipment of rum to the middle and southern sections promoted intercolonial trade, whatever the moral effects of slavery and rum-drinking may have been.

From the launching of Governor Winthrop's little 30-ton sloop, the *Blessing of the Bay*, in 1631, the coast towns of Massachusetts Bay Colony actively engaged in ship-building. The industry was carried on to some extent in Rhode Island, but not in Plymouth, and but little in Connecticut. As early as 1638, a vessel constructed in New England sailed up the Thames. In 1665, the Court of Massa-

chusetts estimated that the people of the colony then owned 192 vessels, large and small.[1] According to the report made in 1676 by Edward Randolph, who was subsequently for a long time the British collector of customs for New England, there had, up to that time, been 730 vessels built in Massachusetts.[2] While New England led in the building of ships, the industry was carried on in New York and Pennsylvania, and to a slight extent farther south.

The great majority of the early colonial-built vessels were as small as 50 tons burden or less, constructed for the fisheries and the West Indian and intercolonial trade; but a part of them were of 100 or more tons burden and thus belonged to the class of larger ocean ships of that time. This fact is illustrated in a report made by Governor Dudley shortly after 1700, who stated that the trade of Massachusetts then required 200 vessels, of which 20 were of more than 100 tons burden each, and 60 exceeded 50 tons capacity.

The sale of the ship as well as its cargo in the foreign port early became a frequent occurrence, because the Americans had an abundance of excellent ship lumber and masts and were skillful shipwrights. The British market for American ships continued throughout the colonial period; and at the outbreak of the Revolution 30 per cent of all the ships (2,342 out of 7,694) engaged in the commerce of Great Britain were built in American yards. The British writer Champion stated that "America was able to supply us with ships 30 per cent cheaper than they could be built in Great Britain."[3] Fully three-fourths of the commerce of the colonies during the later colonial period was carried in ships of their own construction.

MARITIME TRADE OF THE COLONIES AS A WHOLE.

The other notable business activity of the colonists was the maritime trade, European, intercolonial, West Indian, and, to some extent, African, to which their productive industries and need of imports gave rise.[4] The value of the trade of the colonies with the mother country

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[1]Doyle, *English Colonies in America*, III, 28. [2]Andrews, *Colonial Self-Government*, 332.

[3]Champion, *Considerations on the Present Situation of Great Britain*, etc., 1784.

[4]Statistical information is very meager as to the commerce of the colonies during the seventeenth century; indeed, the systematic compilation of the trade of Great Britain with the colonies began after the appointment of the Board of Trade and Plantations by William III in 1696. There is no continuous record of the trade of the colonies as a whole or severally even during the eighteenth century, with countries other than Great Britain, with the West Indies, and with each other. The British Act of Trade of 1663 had provided for the appointment of naval officers at the colonial ports, among whose duties was that of recording imports and exports, but they were not appointed until a decade or more had elapsed, and then probably only for a part of the ports. (Andrews, *Colonial Self-Government*, 33.) The British act of 1672 created the office of collector of the port to collect the duties imposed by the law, and during the next few years (*Ibid.*) such officers were appointed for New York (1674), Virginia (1674), Maryland (1676), Albemarle (1677), New England (1677), Carolina and Roanoke (1685), South Carolina (1685), and Pennsylvania (1688). The records of the customs officers in England probably would not furnish the material for a statistical account of colonial commerce during the later decades of the seventeenth century, were the records in existence. Whatever they contained was lost a century ago in a fire that destroyed the original customs records. The reports of the naval officers were more regularly and systematically made, and they have been preserved.

in 1697, near the close of the period under special consideration in this chapter, is stated by the official statistics kept by the customs officers at the ports of Great Britain to have been £140,132 7s. 6d. for exports to the continental colonies in America, and £279,854 11s. 9d. for the imports thence into Great Britain, the total of exports and imports being £419,986 19s. 3d. The year 1697 was the first one after the establishment of the Board of Trade. The value of the trade for the year 1700 was: British imports from the colonies, £395,023 18s. 10d.; British exports, £344,343 18s. 4d.; total £739,367 17s. 2d.

The distribution of this trade among the different colonies in 1700 was as follows:

Table 1.—*Trade of Great Britain with Colonies in 1700.*

	British imports.	British exports.	Total.
	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*
New England	41,486 11 9	91,918 14 6	133,405 6 3
New York	17,567 10 0	49,410 15 0	66,978 5 0
Pennsylvania	4,608 9 8	18,529 6 2	23,137 15 10
Virginia and Maryland	317,302 12 11	173,481 10 4	490,784 3 3
Carolina	14,058 14 6	11,003 12 4	25,062 6 10
Total	395,023 18 10	344,343 18 4	739,367 17 2

As the purchasing power of money in 1700 may safely be taken as five times what it now is, the value of the British trade with the American colonies was the equivalent of about $17,500,000 in the currency of to-day. On the basis of a colonial population of 300,000, this would give a per capita trade with Great Britain of $58 of our present money. Thus viewed, the commerce seems large; but the total trade of the colonies was much more valuable than these figures indicate, because they include only the commerce with Great Britain, while there was in addition the direct trade with the continent of Europe, some African trade, the large commerce with the West Indies, and the intercolonial exchanges. Indeed, the above figures probably understate the real value of the trade of the colonies with Great Britain. The customs-house officials, then even more than now, undervalued commodities; and that there was more or less of smuggling of goods around the customs offices is a well-known fact.

What the total value of the maritime commerce of the colonies was in 1700 can only be conjectured. It was, probably, from one and a half to twice the value of the trade with Great Britain, in the case of all the colonies except Maryland and Virginia, whose exports consisted mainly of tobacco that was nearly all sold in England and thence reshipped, in large part, to the Continent. The trade of New England included none of the enumerated articles, and the exchanges made in continental markets, in Africa, the West Indies, and in the other colo-

nies probably exceeded the trade with the mother country. And the same may have been true of Carolina during the seventeenth century, when the West Indian trade was relatively larger than it was after rice became her staple export. The imports into New England and New York from Great Britain were twice to five times the exports to the mother country, the coin and bills of exchange required to settle the unfavorable balance being secured mainly from the trade with other sections of the world.

The importance of tobacco in the external trade of the colonies is shown by the figures for Virginia and Maryland; 80 per cent of the entire exports to Great Britain in 1700 were from those two colonies. The imports of those colonies consisted largely, though not exclusively, of British goods, their purchases in the mother country amounting to half of the total for all the colonies in 1700.

By considering the trade of the several colonies or sections somewhat in detail, a more definite picture may be gotten of their commerce, despite the fact that, for reasons already stated, it will not be possible to present statistics either of volume or value.

NEW ENGLAND'S COMMERCE.

The colonies composing New England excelled the other colonies in diversification of industry and in range and variety (although not in value) of their maritime commerce. The chief commodities exported were fish, provisions, rum, forest products, and ships. The forest products and the ships found a welcome market in Great Britain; but, as fishermen and farmers, the people of New England came into competition with the people of old England, who protected themselves by "corn" laws, by duties on fish, and by the prohibition of the importation of salted provisions. The principal effect of British competition and protection was to enlarge New England's trade with the British and foreign West Indies, where sea and land products could be exchanged for a large variety of tropical products, especially sugar and molasses. This West Indian trade, as has been pointed out, enabled the distillery business to prosper in Massachusetts and Rhode Island, and indirectly made New England the chief center of the slave trade.

Economic conditions cooperated to build up the shipping of New England, and also to give her merchants the leading place in the intercolonial trade. The progress of New England brought into existence a tonnage of shipping, large for that time, first, because the sea, quite as much as the land, was the source of the living and of the wealth of the people. The conditions in this regard were totally unlike those of Virginia, where there was every incentive to till the soil and to ignore the maritime resources, and dissimilar to those in Pennsylvania and New York, where agriculture engaged the energies of the great majority of the population, but did not cause maritime pursuits to be seriously

neglected. In New England the vessel was as much a tool of industry as was the plough.

Another reason accounting for the relatively large shipping of New England and for her activity in commerce was the necessity of securing from the other colonies and the West Indies both goods and bills of exchange with which to obtain a part of her imports from Great Britain. The British market for New England's products being limited and subject to duties, double trading was necessary. To a large extent this was true of the middle colonies, but not of those south of Pennsylvania.

In the third place, both the maritime and mercantile interests of New England were promoted by the advantages which her location gave her merchants for engaging in intercolonial commerce, and for acting as middlemen for a part of the trade between the colonies and Europe. It was natural that New England and the tobacco colonies should have some trade with each other, despite the fact that, at that time, the northern farm and the southern plantation each supplied itself as fully as possible with its own food and crude manufactures. The radical difference in the products of the two sections made a limited trade profitable if not indispensable. Furthermore, it was especially easy for the New England merchant to engage in the intercolonial trade in connection with his West Indian business. His ships were sailing to and fro past the ports of the middle and southern colonies, and it was frequently profitable to combine intercolonial and West Indian trade. Many New England merchants had agents in the southern colonies.[1] In like manner, the merchants of New England supplied the other colonies, particularly the southern ones, with a part of their imports from Europe, and bought some of their exports for immediate or subsequent shipment to Europe. The traders of New England thus competed to some extent with the merchants of England for their indirect trade with America. The merchant in New England could act as middleman profitably not only because New England imported from Europe more than she exported thence, but also because the thriving ports of New England lay but little off the direct route from the southern colonies to Europe. It was natural that the commercially active towns of Massachusetts and of other northern colonies should become entrepots for a portion of both the eastbound and westbound trade of the southern colonies with Europe.

The external commerce of New England began with the trading of numerous small, and largely dissociated, towns directly with Europe and other regions; but as settlement increased, industry developed, and commerce grew, there came to be more intracolonial integration of trade, and the external commerce centered more largely, though by no means solely, at a few of the populous ports most advantageously situated, such as Boston, Salem, Newport, and New London.

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[1] Bruce, *Economic Hist. of Va. in the Seventeenth Century*, II, 319–322.

The manufacturing activities of New England had a controlling influence upon the scope and volume of its external trade. Most of the goods were made for domestic consumption, and were produced in the homes, with the exception of milling products and the output of small factories and distilleries in the larger towns. Nevertheless, the total volume of manufactures was large enough to have the two marked consequences: (1) lessening the demand for European goods, thus causing New England to import far less of them than did the strictly agricultural colonies such as Maryland and Virginia; and (2) causing the importation of such materials as molasses, pitch, tar, and tools for use in manufacturing. Before the end of the seventeenth century the manufacturing tendencies of New England were so evident as to make the British manufacturers and traders deem it wise to have laws passed to seek to check colonial manufactures by confining their sale to local markets. That those laws were unnecessary and were of small effect has been pointed out in a previous chapter.

COMMERCE OF NEW YORK, EAST AND WEST JERSEY, PENNSYLVANIA, AND DELAWARE.

The trade of New York during the latter part of the seventeenth century was small, considering the early settlement of the colony and the present greatness of the commerce of the State. The reasons for the slow development, as has been pointed out, lay in the land system and trade restrictions established by the Dutch and continued, with modifications, by their English successors. The *hinterland* tributary to the port of New York until after 1700 was the valley of the Hudson River, a small part of the Mohawk basin, and the settled portion of East Jersey.

The exports from New York were composed mainly of furs, cereals, provisions, animals, staves, lumber, and whale oil. Like New England, though to a less degree, New York had a restricted market in Great Britain, and found the West Indian trade a necessary supplement to her commerce with Europe. The fur trade was large throughout the century, although it did not retain its early importance; the market was principally in Europe. During the entire colonial period the exports consisted chiefly of farm products, which were sent in part to Great Britain and largely to the West Indies, where flour, biscuit, beef, pork, bacon, and horses were regularly shipped. Lumber and staves were likewise sold both in Europe and in the West Indies. New York gained some importance towards the end of the century as a market from which whale-oil was shipped to the West Indies and to the neighboring American colonies. The intercolonial trade of New York was relatively small and was largest with New England, although it included a small volume of exchanges with the southern colonies. Taken as a whole, the export commerce of New York ranked between

that of New England and the southern colonies in the scope of articles and in territorial distribution. New York was subordinate to both New England and Virginia in volume and value of maritime trade.

Practically all of the external trade of the New York colony was handled through New York City. East Jersey, likewise, while under the political dominance of New York, handled its commerce through the same port. Until 1680, East Jersey was not permitted any other port of entry, and not until 1700 was it given control over its own customs duties. This was considered a serious grievance by the people of Jersey, and, without doubt, its commerce, like that of New York, was hampered by the export and import duties. It is hardly probable, however, that East Jersey would in any case have developed much foreign trade independent of New York before 1700. Until that time she was little more than a supply territory tributary to New York.

New York had some ship-building, but the colony ranked high neither in the building nor in the operation of shipping. Her commerce was carried on partly by her own merchants and partly by those of New England and Great Britain. Her people were more agricultural than mercantile or maritime in their ambitions: they permitted or perpetuated the heavy taxation of commerce; and, until near the end of the seventeenth century, little was done to foster and develop external trade.

West Jersey, Pennsylvania, and Delaware constituted an economic district whose commercial center was in the towns on the lower Delaware. By 1690, Philadelphia had secured the unquestioned leadership in the trade of the Delaware region. Burlington, settled in 1677, was the seat of government of West Jersey, and, for a time, was a rival of Philadelphia. It was an important local market for agricultural products, fairs were regularly held, and timber, lumber, and furs were exported. Gloucester and Salem were the other markets and shipping points for West Jersey, but the trade of all three of these Jersey cities was chiefly local. What they shipped out of the colony consisted principally of farm products and was sent mainly to Philadelphia, to be used in that market or to be exported abroad.

When Penn founded his colony at Philadelphia in 1681, there were several prosperous settlements on the west bank of the Delaware, among them New Castle and Fort Christiana (now Wilmington) in the Three Lower Counties, which in 1696 became the separate colony of Delaware. Another promising town was Upland (Chester). These early settlers on the right bank of the Delaware—Swedes, Dutch, and English—were thrifty farmers, raising a surplus of tobacco, cereals, and animals. The rapid growth of Philadelphia in population and trade gave the Lower Counties a good market, and they early became an important tributary to the commerce of Pennsylvania.

In 1686, five years after the founding of Philadelphia, there were 8,000 people in the province of Pennsylvania. The soil was fertile,

the Indians were friendly, and commerce was free of duties. The commerce with Europe was continuous from 1680 on, and the West Indian and intercolonial trades were well started within five years. The Pennsylvania forests were rich in furs, and the friendly relations with the Indians favored trading. The profits Maryland and Virginia had secured from tobacco culture caused tobacco to be grown in Pennsylvania. Thus it was that furs and tobacco were at first prominent among the exports, and the shipment of furs long continued, but, of course, in decreasing volume with the progress of the colony. Tobacco, however, soon gave way to cereal crops, and the chief exports came to be grain, flour, provisions, and lumber. The building of vessels for use in the commerce of the colony and for sale abroad was early begun. Penn's policy of encouraging agriculture, trade, and shipbuilding was thoroughly successful.

The trade of Pennsylvania with Europe during the seventeenth century—the first twenty years of the colony's existence—was not especially large, nor did it become notably valuable during the most of the first half of the eighteenth century. Two causes readily account for the fact that the prosperity of Pennsylvania did not necessitate a large commerce with Europe, as was the case with her neighbors to the south:

(1) Instead of trading almost solely with Great Britain, as Virginia and Maryland did, Pennsylvania had a well-distributed commerce, her products being exchanged for those of the other colonies and the West Indies as well as for those from Europe. As was true of the exports from New England and New York, some of the staple products of Pennsylvania competed with the industries of Great Britain, and could be sold in that country only by paying protective duties. This caused the merchants of Pennsylvania to follow the example of New England in developing trade with the West Indies and her sister colonies.

(2) Pennsylvania, and Philadelphia, the commercial center of the Delaware basin, had an expanding home market with the rapidly increasing population of the three colonies in the valley. To an exceptional degree, the natural resources and the diversified activities of West Jersey, Delaware, and Pennsylvania made of those colonies a self-sufficient economic unit. As the region developed and its industries became more specialized, a large external trade became profitable; but in the early decades there was less need than the other sections of America had of producing large quantities of goods to be shipped abroad to secure the commodities required to supplement the products of home industry.

COMMERCE OF MARYLAND, VIRGINIA, AND THE CAROLINAS.

References have already been made to the main characteristic of the commerce of Virginia and Maryland—the exportation of tobacco from their plantations and the heavy importation of British manufactures. All efforts to diversify their industries, even their agricul-

tural products, proved unsuccessful. In Maryland, however, as time went on, an increasing acreage of wheat was sown, but not until into the eighteenth century was there a surplus for export. The exports of both colonies prior to 1700 consisted of tobacco, furs, some forest products, and a small quantity of provisions.

Although the imports of Maryland and Virginia came mainly from England directly and in English vessels, some wine and British goods were brought from New England in the ships belonging to her merchants. Likewise the ships of the New England, New York, and Pennsylvania merchants were wont to call at Chesapeake ports on the way from the West Indies to exchange sugar and other tropical products for tobacco, furs, and hides.

The West Indian trade of Virginia,[1] which started in 1633, grew with the progress of the commercial intercourse of the northern colonies with the West Indies and with the increase in the requirements of the enlarging plantations for negroes, sugar, molasses, salt, ginger, and rum. During the seventeenth century these imports came mainly though not entirely from the Barbados and were paid for with tobacco, provisions, grain, and bills of exchange. This trade was carried on not only by the New England merchants, as described, but also to some extent directly by the largest planters, who at times personally or through agents made their purchases in the islands. There was also some casual trading done by ship-masters, who brought cargoes to Virginia and personally sold or bartered them at the plantation wharves instead of consigning the goods to authorized factors.

Maryland had no over-sea shipping of her own, and Virginia had practically none, both colonies depending upon the merchants of Great Britain and the northern colonies for the transportation required to handle their large commerce.

The most striking fact concerning the trade of Virginia and Maryland was its great value. The total external commerce of the two colonies in 1700 must have approximated £600,000 in value, the present money equivalent of which would be fully $15,000,000. This was an average annual per capita trade of £6, or $150 as measured in our currency. There are few countries at the present time whose foreign trade is as valuable per inhabitant as was that of the tobacco colonies 200 years ago. The foreign commerce of the United States in 1914 was about $42 per capita.

The trade of the Carolinas during the three decades following the settlement of Charles Town in 1670 was relatively small, and differed greatly from their trade in the eighteenth century, when rice and indigo had become the staple exports. In the seventeenth century, South Carolina traded quite as much, if not more, with the West Indies and with ship-masters, mercantile and piratical, seeking supplies, as with

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[1]Bruce, *Economic Hist. of Va. in the Seventeenth Century*, II, 324–328.

the mother country. There was little, if any, commerce with the other colonies. As Professor Andrews[1] says: "Its isolation, southerly location, and the character of its economic life during the seventeenth century place it apart from the northern colonies, in a group with the English plantations in the West Indies." The early exports, consisting of the plantation products—corn, cattle, and pork—and the commodities obtained from the pine forests—pitch, tar, and clapboards—were sold to ship-masters for coin, or sent to the West Indies to exchange for sugar, molasses, rum, and ginger. A part of the articles thus obtained, together with some furs and cedar-wood, were sent to England to purchase manufactures.

The external trade of South Carolina, unlike that of North Carolina, centered almost entirely in one city, Charles Town, which, at the end of the seventeenth century, had become the most important port south of Philadelphia. It was the entrepot for the large territory occupied by the southern colonies; and its convenience as a port of call for the merchantmen of Europe and the northern colonies was of advantage to its external commerce and increased its sale of naval stores and ship supplies.

The progress of North Carolina in the seventeenth century in population, industry, and commerce was notably slow, partly because the government was badly managed, but largely because the Albemarle Colony was not favorably located for the production of the crops that were cultivated in the early years of the life of the settlement. The limited exports consisted of furs and tobacco, which were sold to the New England merchants. British ship-masters evidently did not consider the trade of Pamlico Sound to be large enough to be profitable, while the New England vessel could readily make a call in North Carolina while en route from the West Indies or South Carolina. In neither of the Carolinas did the people build or buy ships to carry on their commerce.

GENERAL SURVEY OF COMMERCIAL CONDITIONS.

At the close of the seventeenth century most of the American colonies had passed through the initial period of experiment. Settlement and growth had proceeded far enough to establish the lines of future economic progress, and the colonies were ready for the larger industrial and commercial development they were to have in the eighteenth century.

Political conditions were greatly improved when the period of misrule under the Stuarts came to an end with the dethronement of James II in 1689. The reorganization of the colonial governments during the next two years removed many of the hindrances to growth and prosperity. Moreover, the energies of William III were so absorbed by the great struggle with France that he gave colonial affairs comparatively little attention and thus left the colonies, in most matters, free

[1]*Colonial Self-Government*, 316.

to solve their new-world problems in their own way and to work out their own destiny by establishing such social, economic, and legal institutions as seemed to them best. What they did was to adapt British laws and institutions to American conditions. The results were most satisfactory, especially in the fields of industry and commerce. Great Britain had gained the commercial leadership of the world by the close of the seventeenth century, and her colonies in America achieved a commercial and maritime success even more notable than the triumphs of the mother country.

This does not imply that the mercantile system, as applied by Great Britain and the several colonies, is to be justified in all the details of legislation. Mistakes were made, but they were not fatal. Indeed, the British Acts of Trade, as applied to the colonies prior to 1764, did not seriously affect their economic development; and this was especially true of the two acts of commercial legislation adopted by Great Britain during the closing decade of the seventeenth century. The law of 1696 was an administrative measure designed to strengthen the acts of trade and to harmonize those laws with the commercial system of the mother country; but it contained no new principles and within a few years the enforcement of the law became lax. The British law passed at the close of the century (1699) restricting the sale of colonial woolen manufactures to the local market of the colony in which they were made had but slight effect, even in New England, where manufacturing was most largely developed.

Colonial trade, both domestic and external, in the seventeenth century, and in the eighteenth as well, was mainly barter. In none of the colonies was there coin enough to use as a medium in the majority of the exchanges. The leading standard coin was the Spanish silver "piece-of-eight," and it was not only of insufficient quantity, but, what was still worse as far as intercolonial trade was concerned, it had diverse ratings in different colonies. As is well known, tobacco was made the medium of exchanges in Virginia and Maryland, and it was almost the only standard of payment available in domestic commerce and in the payment of salaries and public and private obligations. In Massachusetts "country pay" in commodities at fixed rates of exchange was adopted to facilitate domestic trade.

The serious handicap put upon trade by the scarcity of coin, and the extreme difficulty of raising public funds, especially for military purposes, seemed to necessitate the issue of paper money. Fortunately, however, most of the experiments in credit money were postponed until the eighteenth century, although Massachusetts resorted to the issue of bills as early as 1690 to aid in financing Phips's expedition against Quebec. Other colonies followed the lead of Massachusetts, from time to time, with the disastrous results that always accompany attempts to give money value to promises to pay.

The ethics of trade and commercial life in America, as elsewhere, left much to be desired at the close of the seventeenth century. Moral

standards tolerated the slave trade, excused smuggling, looked with favor upon privateering, and scarcely condemned piracy. The difficulties of merchants and others in enforcing contracts and securing the payment of debts were another evidence of the persistence of the primitive morals of trade.

Piracy died hard, but the eighteenth century saw it end among the people of civilized countries, although it was after the opening of the nineteenth century that Europe ceased to tolerate it on the part of the inhabitants of the Barbary States. In 1700 and for some time thereafter the pirate ship was a welcome visitor at many American ports, and colonial officials were disposed to be considerate in their treatment of pirates, because they were liberal buyers of provisions and ship-stores, for which they paid good coin. The stringent law against piracy, passed by Parliament in 1698, was much needed, although its enforcement proved impracticable during the war of the Spanish Succession (1702–13), the days of the famous Captain Kidd. By 1720, however, the British navy had successfully driven the black flag from the ports of civilized nations and greatly restricted its ravages on the high seas.

It will, of course, not do to apply the rigid ethical standards of the present to the commerce of two centuries past. Indeed, there is yet much to be accomplished. The international slave trade persisted until long after the opening of the nineteenth century, and the domestic traffic in human beings ceased as late as 1865. Smuggling has always been, and still is, a besetting sin of Anglo-Americans, and probably of other peoples. Privateering is not now thought right; but naval vessels still make prizes of private shipping in times of war, as was the case in the recent war of the United States with Spain, and is the practice on a large scale in the present terrible conflict in Europe.

In no other fields of endeavor were the colonists more successful during the first century of their new-world life than in commerce; nor were there any other pursuits that made a stronger or more lasting impress upon American character than did the trading and the seafaring life of the merchants, mariners, and fishermen of the northern colonies. The plantation did much to mold the character of the southern colonists; and the ocean and the affairs of commerce had almost as much influence in determining the type of the New England Yankees. In the middle colonies, where both the agricultural and the maritime callings received about equal emphasis, a type of man developed intermediate between the trader and the planter. Racial types, it is quite true, are determined by more complex causes than this enumeration suggests; but the effect of economic occupation upon character is strong and unmistakable; and this was especially true of the influence which commerce had upon the people of America during the seventeenth and eighteenth centuries.

CHAPTER VI.

EIGHTEENTH CENTURY TO THE OUTBREAK OF THE REVOLUTION.

The development of American commerce during the larger part of the eighteenth century took place under conditions that would to-day render international trade almost impossible; but, in spite of adverse circumstances, there was large and almost continuous progress. Had Great Britain been disposed, and had she been able, to enforce strictly the Acts of Trade, the commerce of her colonies must necessarily have been seriously hampered, mainly because the growth of the West Indian trade would have been checked; but serious effort to enforce those acts was postponed until within about a decade of the Revolution, and the attempt even then was largely unsuccessful. Indeed, the dozen years intervening between the peace of Paris and the battle of Lexington were the years during which the colonial trade reached its maximum value.

Four prolonged wars interfered with the peaceful progress of American commerce during the first sixty-three years of the century. The desperate struggles of European countries for political and commercial leadership were inevitably shared in large measure by the American colonies of Spain, France, and England, with the result that the ocean commerce of the colonies was for considerable periods of time subjected to the risks of warfare, privateering, and its natural accompaniment, piracy. The last and the most epoch-making of the four conflicts—the seven years war in Europe, called the French and Indian War in America—was, as far as England and France were concerned, a struggle for supremacy in India and America. It involved the colonies in active war; indeed, it was the victories of the British and colonial forces over the French in America that compelled France to turn over her vast possessions in America and India to Great Britain and to the shaping influences of British civilization.

Such a struggle as Queen Anne's War or the French and Indian War, if it were to occur to-day, when industry is organized with reference to a world market, and when the commercial interests of nations are so integrated and so sensitive as to cause every part of commerce to feel the shock of a blow received by any portion or section of the world's industry and trade, would have temporarily crippled American commerce; but the effect of these wars upon the industrial welfare of the colonies was in reality relatively slight. Production was carried on mainly to supply local markets; and although their commerce, which was largely maritime, was subjected to special dangers while the great commercial nations of Europe were at war, yet the colonial merchants continued to take the risks and to carry on an extensive trade, not only at friendly ports, but, either directly or indirectly, with the necessitous merchants of hostile countries.

The small sailing-vessels of the eighteenth century could make their way quietly from port to port without attracting the attention which is given the huge ocean ships of to-day, whose movements and whereabouts are heralded the world over by cable and telegraph and are recorded in all the large shipping centers. "The perils of the sea" were very real in the eighteenth and earlier centuries, and the merchant vessel was armed to defend itself against the attacks of pirates and privateers as well as against the men-of-war of hostile nations. The ship-master's dangers were increased by the outbreak of war; but he ordinarily did not decide to leave the sea; he preferred to continue to trade, and he merely sought to take a route as far as possible from known enemies. Thus it was that the maritime commerce of the colonies could prosper as much as it did from 1700 to 1763, although war prevailed during more than a third of the period.

That the colonies made steady and substantial progress during the first three-fourths of the eighteenth century, both industrially and as regards their maritime commerce, is an undoubted fact, although accurate statistical information is meager. A general measure of the advance made is afforded by the growth in population from 250,000 or 300,000 persons, black and white, in 1700, to about 1,600,000 in 1760—a five-fold or 500 per cent increase. The population could hardly have doubled each 25 years on an average and have been six times as numerous at the end as at the beginning of the period unless there had been nearly continuous prosperity. This rate of increase would not have been maintained if prosperous conditions had not attracted immigration and permitted a rapid natural increase in population. In none of the colonies was a census of population taken, and it is thus impossible to state exactly what the population of the colonies was, either at the beginning of the eighteenth century or in 1760. A careful estimate of the population of the colonies has been made by Mr. Franklin B. Dexter,[1] and upon the basis of Mr. Dexter's studies,

[1] "Estimates of Population," in *Proceedings of American Antiquarian Society*, 1887.

Mr. J. A. Doyle[1] estimates that in 1720 the population of the colonies, as a whole, included 339,000 whites and 96,000 blacks, a total of 435,000. The population of the colonies in 1760, according to the estimate of Professor Edward Channing,[2] "based upon the correlation of multitudinous figures taken from many sources," was as follows:

TABLE 2.—*Estimated population of the colonies in 1760.*

	Total.		White.	Black.
New England colonies.......	473,000	878,000	791,000	87,000
Middle colonies.............	405,000			
Southern colonies[1]..........	718,000	718,000	419,000	299,000
Total..............	1,596,000	1,596,000	1,210,000	386,000

[1]Maryland, Virginia, North Carolina, South Carolina, and Georgia.

GENERAL INDUSTRIAL AND COMMERCIAL CHANGES FROM 1700 TO 1775.

Few important changes occurred in the industrial activities of the colonies during the eighteenth century. Their industries, and consequently their commerce, were nearly as simple, both in organization and in the range of commodities produced, as they had been in the seventeenth century. Fur trading naturally declined as settlement proceeded, while the forest resources yielded relatively less and agriculture an increasingly greater share of the wealth produced. Indeed, the development and diversification of agriculture is the most salient fact regarding the industrial progress of the American colonies. This is, of course, what would be expected in a new country that was being settled and brought under cultivation. The colonists were first of all and chiefly engaged in farming, and because of this fact they had an extensive external commerce by means of which they sold their surplus abroad in exchange for goods not produced at home.

The inference to be drawn from the above generalization is not that many new agricultural products were introduced, but rather that in several, although not all, of the colonies a greater range of crops was grown. The introduction of indigo into South Carolina in 1741 or 1742 was an exceptional instance of the addition of a valuable agricultural staple. Indigo was not included by Great Britain in the list of "enumerated" articles, hence its foreign market was unrestricted; and in 1748 Parliament granted a bounty of sixpence a pound on all indigo imported into Great Britain from America. In that year, six years after its culture began, indigo accounted for one-tenth of the total value of the exports of South Carolina. Upon the outbreak of the Revolution nearly three-fourths of the British imports of indigo came from Carolina.

While Virginia continued throughout the colonial period to adhere closely to tobacco culture, Maryland raised not only tobacco, but also

[1]*English Colonies in America*, V, 484. [2]*History of the United States*, II, 491.

an increasing quantity of wheat, by which the local demand was supplied and a surplus amounting to 60,000 bushels per annum during the years immediately preceding the Revolution was exported, mainly from Baltimore. The development of cereal agriculture was most rapid in the Delaware basin, and Philadelphia became the leading grain and flour export center in the colonies, while the agricultural resources of the Hudson and Mohawk Valleys gave New York a rank second only to Philadelphia as a shipping point for grain, flour, and breadstuffs.

As stated above,[1] manufacturing in the colonies not only was limited mainly to the household stage of production, but also was kept within narrow bounds by the small supply of capital and by the fact that greater profits were obtainable from agriculture and commerce. Great Britain feared that the colonial manufactures of woolen goods, hats, and iron might limit the market for British goods, both in the colonies and elsewhere; but the stringent prohibitions upon these classes of manufactures in the colonies were probably more vexatious to the colonies than of revolutionary effect upon their industries. The southern planters made no effort to do more than to supply their plantations with such tools and fabrics as the slaves could make; and, while it is true that the people of New England, and to a less degree those of the middle colonies, sought to supply their local needs more and more fully as the eighteenth century advanced, their imports of manufactures continued to increase up to the eve of the Revolution. Colonial exports contained few manufactures other than rum, foodstuffs, forest products, and ships.

The industrial development of the colonies during the first two-thirds of the eighteenth century did not occasion any revolution in their external trade. Commercial expansion resulted chiefly from an increased export of a few staples, mainly agricultural products and fish, and the consequent larger purchase of foreign manufactures and tropical products. Tobacco was the staple that led all others in value; and it, supplemented by rice, indigo, and naval stores, caused the southern colonies to outrank the northern in volume and value of exports. In the middle colonies the increasing cultivation of cereals gave an expanding export of grain, flour, and biscuits, and made possible the growth and shipment of animals and meat products. In New England, as formerly, fish, rum, lumber, ship materials, and ships comprised a large share of the outbound trade; but animals and other farm products made up an important contribution to the total.

Likewise the import trade of the colonies followed, in the main, the lines of its early development. The commerce with the West Indies became of increasing importance to the central and northern colonies as the eighteenth century advanced, and grew to be so essential to their prosperity that the attempted enforcement of the Sugar Act

[1]See chap. iii, p. 45.

by Great Britain after the French and Indian War led quickly to an open and determined revolt of the colonists against the mother country. The intercolonial trade, unlike the trans-Atlantic and West Indian commerce of the colonies, did not greatly increase. The southern colonies traded directly and mainly with Europe, the only exceptions being that a minor share of their exports and imports was handled by New England merchants via the ports of New England, and that a part of the plantation supplies was furnished by the farmers and fishermen of the middle and northern colonies. The merchants of the middle colonies, as has been explained, traded with the West Indies and the home country, but had only a small share in the coastwise traffic. The New England traders, as leaders in ship-building and in the West Indian commerce, handled most of the coastwise commerce; but, for reasons elsewhere considered,[1] the economic necessity for a large intercolonial trade did not exist; and such development as might naturally have resulted from the growth of the colonies was hindered by the restrictive customs duties, shipping laws, and retaliatory measures which the jealousies and commercial rivalries of the politically dissociated colonies caused them severally to adopt.

VALUE AND GROWTH OF THE COMMERCE OF THE COLONIES.

The value of the commerce of the colonies during the eighteenth century prior to the Revolution and its rate of growth are illustrated in part by the figures presented by Burke in his memorable speech upon "Conciliation with America." The facts presented by Burke include the trade of Great Britain with her American colonies, both insular and continental, but do not give the value of the large imports into the continental colonies from the West Indies, and the value of the less important purchases from southern Europe and Africa. In spite of these limitations, Burke's statements are instructive.

"The trade to the colonies, taken on the export side, at the beginning of this century, that is, in the year 1704, stood thus:[2]

Exports to North America and the West Indies......	£483,265
To Africa..	86,665
	£569,930

"In the year 1772, which I take as a middle year between the highest and lowest of those lately laid on your table, the account was as follows:

To North America and the West Indies...........	£4,791,734
To Africa..	866,398
To which if you add the export trade of Scotland which had (in 1704) no existence.............	364,000
	£6,022,132

[1]See chap. x.

[2]The figures cited by Burke were said by him to have been taken, for 1704, from the original manuscript of Davenant, the first incumbent of the Inspector-General's office; the figures for 1772 "from official accounts kept tor the information of Parliament."

"From five hundred and odd thousand it has grown to six millions. It has increased no less than twelve-fold (*sic*). This is the state of the colony trade, as compared with itself at these two periods within this century; and this is matter for meditation. But this is not all. Examine my second account. See how the export trade to the colonies alone in 1772 stood in the other point of view, that is, as compared to the whole trade of England in 1704:

The whole export trade of England, including that to the colonies in 1704	£6,509,000
Export trade to the colonies alone, in 1772	6,022,000
Difference	£487,000

"The trade with America alone is now within less than £500,000 of being equal to what this great commercial nation England carried on at the beginning of this century with the whole world!"

Burke further emphasized the growth of the export trade of Great Britain to her American colonies by referring to the trade of Pennsylvania: "In the year 1704, that province called for £11,459 in value of your commodities, native and foreign. This was the whole. What did it demand in 1772? Why nearly fifty times as much; for in that year the export to Pennsylvania was £507,909, nearly equal to the export to all the colonies together in the first period."

As was stated in the preceding chapter, the statistical information regarding colonial commerce is incomplete. The scope and limitations of the data obtainable from documentary and other sources are considered at length in the bibliographical note at the end of this chapter. A detailed table of the value of the trade between Great Britain and the American colonies from 1697 to 1776 is presented in table 8, appended to this chapter. A summary statement of the growth of Great Britain's trade, decade by decade, from 1700 to 1780, with the American continental colonies that became the United States, is made in table 3.[1]

TABLE 3.—*Imports from and exports to that part of America now the United States. Annual average per decade from 1700 to 1780.*

	Imports.			Exports.		
	£	*s.*	*d.*	£	*s.*	*d.*
Average from 1700 to 1710	265,783	0	10	267,205	3	4
1710 to 1720	392,653	17	1	365,645	7	11¾
1720 to 1730	518,830	16	6	471,342	12	10½
1730 to 1740	670,128	16	0	660,136	11	1¼
1740 to 1750	708,943	9	6	812,647	13	0¼
1750 to 1760	802,691	6	10	1,577,419	16	2½
1760 to 1770	1,044,591	17	0	1,763,409	10	3
1770 to 1780	743,560	10	10	1,331,206	1	5

[1]This table is a copy of Appendix IX (24) of Lord Sheffield's volume *Observations on the Commerce of the American States.* I have used the sixth edition, published in London, 1784. While, in general, Lord Sheffield's statements and figures are not reliable, this table, compiled from official statistics, is presumably correct. Lord Sheffield, in this particular instance, would not be disposed to make the figures any larger than the facts allowed. I have elsewhere called attention to the probable undervaluation of commodities by the customs officers.

The figures quoted above from Burke included the value of Great Britain's export trade to all of North America and to the British West Indies, while those from Sheffield in table 3 refer solely to the colonies that became the United States. The relatively great value of the commerce of England with her "sugar islands"—British export trade with those islands normally exceeding that to the colonies on the continent of America—readily explains why the mother country was more solicitous for the welfare of the West Indian than for the continental colonies. Sheffield's table shows that until the fifth decade of the eighteenth century Great Britain's imports from the American colonies exceeded in value her exports thence, and that there was a large increase in the colonial market for British goods during the sixth and seventh decades, the two decades whose medial years were taken up by the French and Indian War, when Great Britain was both supplying the colonial markets and supporting the British troops that were fighting for the possession of Canada and the Mississippi country. It was the expanding trade of the colonies with the West Indies that enabled the colonists to buy so much more of Great Britain than they sold to her. According to Sheffield, as shown by table 4, the value of the exports from Great Britain to the "American States" from 1700 to 1773 exceeded the value of the imports hence by £20,193,568.[1]

TABLE 4.—*Balance of British exports to and imports from the American Colonies from 1700 to 1773.*

	Excess of exports.	Excess of imports.
	£ *s.* *d.*	£ *s.* *d.*
The four New England colonies	13,896,287 17 4¼	
New York, New Jersey, and Pennsylvania, including Delaware counties	16,941,281 9 4¾	
	30,837,569 6 9	
Virginia and Maryland		8,153,363 11 5½
North and South Carolina		2,611,671 13 10
Georgia	123,034 9 7	
Excess of exports to the provinces north of Maryland	30,960,603 16 4	10,767,035 5 3½
Balance or excess of exports to America over the excess of imports		*20,193,568 11 0½

*This excess of exports of the southern colonies was probably more than balanced by the number of slaves annually imported there by British merchants from Africa.

The trade of the continental colonies of America with sections of the world outside of Great Britain—with the British and foreign West Indies, Nova Scotia, and Newfoundland, the continent of Europe, and with Africa—naturally grew in importance with the industrial and commercial progress of the colonies. Toward the close of the colonial

[1]See *Observations on the Commerce of the American States* (6th ed.), 233, where table 4 is given.

period the Americans secured nearly 40 per cent of their imports and sold about 45 per cent of their exports by trading directly with sections other than Great Britain. If their indirect trade with the continent of Europe by way of England were included, these percentages, particularly the export percentages, would be appreciably larger.

Details regarding the trade of the colonies with countries and sections other than Great Britain are available for the five years beginning with 1768.[1] The second of these five years, 1769, which came midway between the Peace of Paris and the opening of the Revolution, may be selected as one fairly representing the trade conditions prevailing during the latter part of the colonial period. The colonial imports reached their maximum two years later, when Great Britain sent a large volume of supplies to New England to maintain her regiments; and the exports from the colonies attained the highest point in 1775, when the opening of hostilities and the certainty of war must have caused American producers to sell as much as possible before British warships and privateers made commerce impossible on the high seas; but the conditions of American trade in the seventies were so clearly abnormal that the year 1769 may well be taken for analysis.

The volume of the commerce of the colonies in 1769, and its territorial distribution, are roughly measured by the registered tonnage of the vessels that entered and cleared at the American ports during that year. The figures are presented in table 5.[2]

The tonnage of traffic carried was about 50 per cent greater than the vessel tonnage.[3] This would indicate that the cargo tonnage of the colonial imports in 1769 amounted to nearly 500,000 tons and that of the exports to somewhat more than 500,000, the total trade being equal to 1,000,000 tons of commodities. Although this figure is only an estimate, it probably is a fairly accurate one.

The value of this million cargo tons of commerce in 1769 and the distribution of the maritime trade of each colony among the different sections of the world are shown by table 6.[4]

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[1]For explanation of this consult Note 1 on the Statistical Sources appended to this chapter.

[2]This table is constructed from parts of two tables in Macpherson's *Annals of Commerce*, III, 570 and 571. Macpherson speaks of this table and of the other I have reproduced below as "accounts copied from those of the customs house." His source of information would be the *Ledger of Imports and Exports, America, 1768–72*, to which reference is made in note 1 at the end of this chapter. As this table appears in Macpherson's work, however, the tonnage of entrances here given as from Southern Europe and Africa is given as from the West Indies, and that from the West Indies as from Southern Europe and Africa. There is little doubt but that these two columns were in some manner interchanged, as there is no reason for the enormous disparity between the entrances from, and clearances to, these two regions, such as Macpherson's table shows. The best proof that an error was made is that in the table for 1770, which Macpherson also gives, there is no great difference in the entrances and clearances. Furthermore, it is not likely that in 1769 it would take 94,916 tons of shipping to carry imports from Southern Europe and Africa, valued at only £228,682, while the exports thither, with a value of £573,014, required a tonnage of only 42,601.

[3]This is the estimate made by Macpherson, who takes for his authority Thomas Irving, who was "Inspector-General of Imports and Exports of North America and Register of Shipping." This ratio of gross register and cargo tonnage is the one that obtains to-day in ocean commerce.

[4]Macpherson, *Annals of Commerce*, III, 571.

TABLE 5.—*Gross registered tonnage of the vessels entered and cleared at the ports of each colony in 1769.*

Colony.	Entered from— Great Britain and Ireland.	Southern parts of Europe and Africa.	British and foreign West Indies.	Continent of America, Bahamas, etc.	Totals.	Cleared to— Great Britain and Ireland.	Southern parts of Europe and Africa.	British and foreign West Indies.	Continent of America, Bahamas, etc.	Totals.
New Hampshire	915	480	9,500	5,551	16,446	2,822	170	12,878	3,874	19,744
Massachusetts	14,340	6,595	17,898	27,618	66,451	14,044	5,102	17,532	26,988	63,666
Rhode Island	415	226	5,958	10,237	16,836	540	863	6,060	10,312	17,775
Connecticut	150	105	7,790	9,971	18,016	580	200	9,201	7,985	17,966
New York	5,224	2,730	6,964	11,714	26,632	6,470	3,483	5,466	11,440	26,859
New Jersey	....	25	257	654	936	....	....	555	538	1,093
Pennsylvania	9,309	10,745	12,521	12,453	45,028	7,219	12,070	11,959	11,738	42,986
Maryland	15,486	4,095	4,533	6,574	30,688	16,116	6,224	3,358	5,298	30,996
Virginia	20,652	4,600	11,612	10,373	47,237	24,594	7,486	11,397	8,531	52,008
North Carolina	6,415	700	6,702	9,259	23,076	7,805	1,030	6,945	7,333	23,113
South Carolina	15,281	3,325	6,893	5,608	31,107	15,902	5,773	6,377	5,803	33,855
Georgia	2,523	525	4,288	2,357	9,693	3,029	200	4,654	1,358	9,241
Total	90,710	34,151	94,916	112,369	332,146	99,121	42,601	96,382	101,198	339,302

TABLE 6.—*Value in pounds sterling of the imports and exports of the several colonies, 1769.*

IMPORTS.

Colony.	Great Britain.	South of Europe.	West Indies.	Africa.	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New Hampshire	223,695 11 6	652 7 6	48,528 18 7	180 0	564,034 3 8
Massachusetts		21,908 5 6	155,387 1 4		
Rhode Island		2,580 19 6	56,839 17 3		
Connecticut		267 5 3	53,993 17 3		
New York	75,930 19 7	14,927 7 8	97,420 4 0	697 10	188,976 1 3
New Jersey	....	326 18 2	1,663 19 9	....	1,990 17 11
Pennsylvania	204,979 17 4	14,249 8 4	180,591 12 4	....	399,820 18 0
Maryland	714,943 15 8	4,683 2 3	32,197 13 9	5,400 0	851,140 6 6
Virginia		9,442 2 4	77,453 12 6	7,020 0	
North Carolina	327,084 8 6	932 19 9	10,603 13 3	1,080 0	535,714 2 3
South Carolina		6,166 6 1	65,666 4 8	124,180 10	
Georgia	58,340 19 4	547 7 7	9,407 9 9	13,440 0	81,735 16 8
Total	1,604,975 11 11	76,684 9 11	789,754 4 5	151,998 0	2,623,412 6 3

EXPORTS.

Colony.	Great Britain.	South of Europe.	West Indies.	Africa.	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New Hampshire	142,775 12 9	464 0 5	40,431 8 4	96 11 3	550,089 19 2
Massachusetts		76,702 0 4	123,394 0 6	9,801 9 10	
Rhode Island		1,440 11 0	65,206 13 2	7,814 19 8	
Connecticut		2,567 4 5	79,395 7 6	....	
New York	113,382 8 8	50,885 13 0	66,324 17 5	1,313 2 6	231,906 1 7
New Jersey	....	....	2,531 16 5	....	2,531 16 5
Pennsylvania	28,112 6 9	203,752 11 11	178,331 7 8	560 9 9	410,756 16 1
Maryland	759,961 5 0	66,555 11 11	22,303 9 2	....	....
Virginia		73,635 3 4	68,946 9 1	....	991,401 18 6
North Carolina	405,014 13 1	3,238 3 7	27,944 7 9	71 15 4	569,584 17 3
South Carolina		72,881 9 3	59,814 11 6	619 16 9	
Georgia	82,270 2 3	614 2 0	13,285 15 1	....	96,169 19 4
Total	1,531,516 8 6	552,736 11 2	747,910 3 7	20,278 5 1	2,852,441 8 4

Table 6 gives an instructive general picture of the trade of the colonies. Near the close, as in the earlier part of the colonial period, Maryland, Virginia, and the Carolinas were devoted to industries more dependent upon maritime commerce than were the industries of other sections. The trade of these four colonies accounts for over half of the imports and exports of all the colonies. The commerce of the five southern colonies was mainly with the mother country—in the case of Virginia and Maryland nearly seven-eighths, and in the case of the Carolinas three-fifths of the imports came from Great Britain. About seven-ninths of the exports from Virginia and Maryland and five-sevenths of those from the Carolinas went to Great Britain. Georgia made nearly two-thirds of her purchases and over five-sixths of her sales in the home country. New England, on the contrary, secured only two-fifths of her imports from Great Britain, her purchases in the West Indies being of greater value. As regards the exports, the distribution of New England's trade was even more striking, her shipments to Great Britain being only one-fourth of the total, while those to the West Indies comprised five-ninths. Likewise, New York's imports from the West Indies exceeded in value those from Great Britain, and of her total exports less than half were sent to the mother country. The distribution of the export trade of Pennsylvania is especially interesting. Comparatively little of her exports went to Great Britain, a large share, nearly half of the total, being sent to South Europe, where there was a good market for grain, flour, and provisions.

During the year covered by table 6, the colonies as a whole derived 61.1 per cent of the total value of imports from Great Britain, 2.9 per cent from Southern Europe, 30.1 per cent from the West Indies, and 5.7 per cent from Africa. Of the value of their total exports, 53.6 per cent went to Great Britain, 19.3 per cent to Southern Europe, 26.1 per cent to the West Indies, and 0.07 per cent to Africa.

Table 7, appended to this chapter upon pages 118 and 119, gives the quantity, value, and foreign distribution of each class of commodities from the colonies during 1770. Tobacco, of course, led all the other products in value, the second place being held by bread and flour, the third by fish, the fourth by rice, after which came whale oil and "fins," lumber in various forms, and wheat. The greater part of the total value consisted of the products of the sea, the farms, and the forests. Only small beginnings had been made in the exportation of iron, and the exported manufactures consisted almost entirely of foodstuffs and forest products. The transit trade of the colonies, made up of reexported tropical products, amounted to 2.5 per cent of the total.

TRADE WITH THE WEST INDIES.

Numerous references have been made in the preceding pages to the trade of the colonies with the West Indies and to its relation to the commerce with the mother country. This trade of the middle and northern colonies with the tropical or "sugar islands" was of funda-

mental importance to the commerical activities of the more northerly colonies and to the industrial life of all the colonies. A study of the West Indian trade is necessary to a knowledge of American colonial commerce.

Table 7 appended to this chapter shows that the colonial exports to the British and foreign West Indies at the close of the colonial period included a wide range of articles, their total value for 1770 being £844,178. Fish, Indian corn, wheat and flour, lumber, and live animals account for most of the value. The imports from the West Indies during the same year were appraised at £949,656, or £105,478 more than the exports. Over half of the total value of the imports was accounted for by the rum which came from the British islands. Molasses ranked next to rum, and of the £186,200 imported, less than 7 per cent came from the British islands. The sugar imports were valued at £168,000, and all but £49,000 worth of the sugar was from British ports. Rum, molasses, and sugar made up four-fifths of the value of the imports from the West Indies, and more than two-thirds of these articles came from the British islands. However, the trade of the American continental colonies with the foreign West Indies, although of less value than that with the British islands, was of almost equal importance to the American colonies, because, as we shall presently see, it was a necessary supplement and complement to the trade with the British islands.

The trade of the northern colonies with the West Indies was carried on regularly after the middle of the seventeenth century, and it naturally developed with the progress of the continental colonies and with the growth in the volume of their imports from Europe. The early trade was with the British West Indies, but later the industrial progress of the Dutch and more particularly of the French islands, gave rise to a commerce with them. The opportunity for trading with the French islands was especially favorable for the continental colonies, because of the unwise restrictions that France placed upon her trade with her colonies. In 1668, the French West India Company was granted a trade monopoly. Later the law was passed that prohibited the reexportation from France of the raw sugar imported from her colonies. The theory upon which this mistaken policy rested was that France ought not to supply her enemies with food. The importation of rum into France was also forbidden for the purpose of protecting French brandies from competition. Thus it came about that the price of sugar was often lower in the French than in the British West Indies, and that molasses could be bought at a very low price in the French islands, where, in the early part of the eighteenth century, it was at times actually thrown away as a waste product. The non-British islands, moreover, not only had export products to sell cheaply, but they also needed, although in much less quantity than did the British islands,

the fish, breadstuffs, live stock, and lumber which the New England and middle colonies could offer in trade.

Until 1717, when France adopted a more liberal colonial policy, her West Indies made but little progress; then, however, they began to have a good surplus, especially of sugar and molasses, for sale, and they began to compete so actively with the British islands in the trade with the American colonies that the British sugar-planters ere long were urging Parliament to shut the non-British islands out of the commerce with the northern colonies, and the Sugar Act of 1733 was adopted by Parliament in response to this demand.

During the two years that this measure was under consideration by the British government, the people of New England and the middle colonies sought unsuccessfully to make clear to Parliament what was in reality the fact that any restrictions upon the West Indian-American trade would be of no assistance to the British sugar-planters and would be an injury to both the American continental colonies and to the mother country. The gist of their argument, as paraphrased by Macpherson, was:[1]

"As all the sugar, rum and molasses of our sugar isles are taken off at high prices by Great Britain and the northern colonies, it would be very impolitic to obstruct the latter from taking molasses and even rum from the French islands, for the supply of their Indian trade, and much more of their fisheries; seeing our own sugar colonies are unable to supply the great quantity of molasses which those two trades demand; more especially as from the French islands they receive in payment silver and cacao, as well as molasses (but seldom sugar or rum), which silver comes ultimately to Great Britain to pay for the balance of trade; and the northern colonies distill the molasses into rum for the above purposes.

"By this trade the northern colonies are enabled to make such considerable remittances to England in ready money, as they could procure nowhere else but by their traffic with the foreign colonies, as well as by indigo, cacao, sugar, and rum, both from British and foreign colonies; for enabling them to pay for the great quantities of our manufactures which they yearly take of us."

However, the sugar-planters had the ear of Parliament, and the act of 1733 placed practically prohibitory duties of 9 pence per gallon upon rum, 6 pence per gallon upon molasses, and 5 shillings per hundredweight upon sugar imported into the colonies from the non-British islands. This was never enforced, and doubtless for the reason that the British planters soon came to see that its enforcement would not enlarge their trade with the northern colonies. Channing says: That "no sooner was the act passed than the sugar planters realized that it was the prohibition to take their sugars directly to the ports of the European continent that affected them."[2] Sugar, it will be recalled, was one of the "enumerated" articles which by the act of 1660 could be sold only in the English realm. Upon petition of the planters,

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[1]*Annals of Commerce,* III, 174. [2]*History of the United States,* II, 521.

Parliament, by the acts of 1739 and 1742, took sugar out of the list of enumerated commodities, and in 1748 granted an export bounty on sugar refined in Great Britain from the raw product grown in the British plantations, and also allowed a drawback of the full amount of the import duty paid upon the raw sugar. The measures gave the British West Indies the assistance needed, and the act of 1733 was permitted to remain a dead letter.

During the forty years intervening between the close of Queen Anne's war and the French and Indian War, the trade of New England and the middle colonies with the West Indies developed without serious legislative interference with economic forces. The larger share of the commerce was with the British islands, whose population afforded the best market for the colonial exports and whose industries supplied most of the rum, much of the sugar, and many of the other tropical products bought by the merchants of the northern colonies for sale at home and for transshipment to Europe. Large quantities of molasses and some sugar were regularly obtained in the French islands, rum was purchased from the Dutch, and various tropical products were secured from all the non-British islands. The total import and export trade of the northern colonies with the several West India islands, British and foreign, was divided up among the islands year by year according to the prevailing conditions of production and prices.

When the Seven Years' War broke out and England and France entered upon their great struggle for the control of India and America, the commerce of the British colonies in America with the French West Indies ought theoretically to have come to a complete stop. That, however, was not what happened. The colonial merchants, instead of refusing to sell food to the enemies of the mother country in the West Indies, sold them what they needed for their own consumption and for supplying the warships of France. This disloyal action on the part of the American traders prevented Great Britain from fully controlling the West Indies, made the war more burdensome for her, and may doubtless have prolonged the struggle.

This action of the American merchants in continuing their trade with the French West Indies during the Seven Years' War illustrates forcefully the importance, and the profitableness to the continental colonies, of the commerce with the "sugar islands," foreign as well as British. As has already been indicated, "the West India trade was to a great extent the basis of industry in the northern continental colonies."[1] The war made this trade of greater rather than less economic importance, and the profits to be derived from selling lumber, fish, and provisions to the necessitous French colonies, and from buying sugar, molasses, and other tropical products in the glutted markets of those besieged islands, were far in excess of ordinary commercial gains.

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[1] Beer, *British Colonial Policy, 1754–1765*, p. 128.

None of the colonial governments could openly justify this illegal trading with the enemy. All of the colonies were desirous of seeing Great Britain conquer France, because the French in Canada and their Indian allies from the lakes to the Gulf were a constant menace; but within three years after the opening of the Seven Years' War the success of the British in America seemed assured. Louisbourg and Fort Duquesne were taken in 1758, Quebec was captured in 1759, and after that event the American colonists had only such sentimental interest in the British struggle against France as was prompted by patriotism and loyalty.

The American colonies were in no sense disloyal in 1760, but, for manifest reasons, the imperialist sentiment in America was so weak as to be almost non-existent. To Pitt and the British statesmen who were guiding the destinies of the empire, France, wherever she had territory or power, was the enemy of Great Britain; while the average provincial American thought of the French in America as dangerous neighbors, but of the French in the West Indies as "an unfailing source of wealth."

The fact can not be denied, and is not to be forgotten, that the colonial merchant was strongly individualistic. He was resourceful and self-reliant, and his whole business training tended to make him more disposed to evade than scrupulously to comply with laws and rules which the State imposed on him and his affairs. Moreover, the American merchant could find in precedent an excuse, if not a justification, for this illegal trading. During the long war of the Spanish Succession "a large trade was carried on with France and Spanish colonies;" and later, during the war of the Austrian Succession, the trade of the British colonies with the French West Indies was so large as to have been one cause of the failure of the British naval operations in the Caribbean.[1] As a matter of fact, during none of these eighteenth century wars was Great Britain able to prevent illegal trading with her enemies.

The illegal trade with the French in the West Indies during the Seven Years' War was carried on not only by the continental colonies, but also by the Irish, who then exported provisions, and by the people of the British West Indies, who reexported to the French islands a part of the provisions they had imported. The governments of the British sugar islands, however, succeeded in stopping a large part of the illegal trading of those islands; and Ireland's exports were small in comparison with those from the continental American colonies.

The trading was accomplished in various ways. To some extent, the American vessels entered the French colonies directly from their home ports, this being done with the connivance of customs officers and the commanders of the French cruisers; but this method of procedure was too dangerous to be extensively followed. Another device

[1]Beer, *British Colonial Policy, 1754–1765*, p. 73.

for evading the law was for the master of an American colonial vessel to secure from the governor of his colony a pass permitting the vessel to proceed to a French island to exchange prisoners of war. The ship-master might, as a matter of fact, take some prisoners to exchange, or he might take none; his vessel was certain to take out a cargo of goods and to return laden with tropical products. Such vessels were called "flags of truce." Some of the colonial governors would not issue such passes, but in some colonies, notably Pennsylvania and Rhode Island, the ship-master had little if any difficulty in buying these permits. The "flags of truce," however, carried only a minor share of the traffic.

Most of this illegal trading was done through a neutral Dutch or Spanish port in the West Indies. During the early part of the war the Dutch ports of Curaçao, and more particularly St. Eustatius, were centers through which the trade with the French was conducted. The Dutch merchants at St. Eustatius, in buying the colonial goods, furnished the ship-masters "with forged or fraudulent landing certificates, which were used to cancel the bonds given in the British colonies not to take their cargoes to a foreign port."[1] As France did not allow foreigners to trade with her colonies in times of peace, the British prize courts held, under the "Rule of 1756," that France could not legally open her colonial ports to the Dutch "under pressure of war," hence the British navy, being supreme in the West Indies, seized numerous Dutch vessels trading with the French colonies; and the use of St. Eustatius as a neutral port became impracticable after 1758.

In 1759, Monte Cristi, a small Spanish "free" port on the north shore of Santo Domingo, became the chief center of the trade with the French. Monte Cristi was most favorably situated for this, because, although located on Spanish soil, it was close to the boundary of the French portion of Santo Domingo. This hitherto entirely insignificant settlement suddenly became a busy trade center, where the French secured both American provisions and military supplies, and also British manufactures, in exchange for sugar and molasses.

> "This trade at Monte Cristi was carried on mainly by the New England and middle colonies, but it was by no means unknown in Virginia and in the West Indies. In addition, British subjects in England, Scotland, and Ireland were implicated in it, though to a minor extent. The trade assumed large proportions in 1759 and 1760. At times during these two years, over 100 North American vessels were at this port. In 1760, it was estimated that in that one year 400 to 500 vessels had taken in cargoes of French sugar and molasses."[2]

The extent of this trade and the nationality of the participants is concretely illustrated by the fact that on the 5th of February, 1759, his Majesty's sloop *Viper* found 29 ships ranging from 30 to 150 tons burden at anchor in the port, and of these 29 vessels, 28 were from the

[1] Beer, *British Colonial Policy, 1754–1765*, p. 93 (note). [2] *Ibid.*, 99.

North American colonies—from New York 7, Rhode Island 8, Connecticut 4, Massachusetts 8, Virginia 1, and Bermuda 1. Upon another date, two years later, 50 vessels were reported, 36 of them hailing from the continental American colonies—from Massachusetts 15, Rhode Island 10, New York, 9, Connecticut 1, and North Carolina 1.[1]

The extent of the trade with the French at Monte Cristi was well known by the admiral of the British West Indian fleet and by the commander of the British forces in America; and both were thereby seriously hampered in their operations. The exportation of food from the New England and middle colonies kept provisions scarce and prices high. A part of the supplies for the British troops had to be brought from Great Britain. The French colonies, meanwhile, were able to exchange their sugar and molasses for provisions in sufficient quantity to enable them to endure, without great hardship, the blockade of their ports by the British fleet.

As early as 1759, the British navy had attempted to break up the trade at Monte Cristi by capturing certain merchant vessels, but the courts had not supported the navy in making prizes of ships trading at a Spanish port. Two years later the making of captures was resumed, and the West Indian vice-admiralty courts then held the prizes to have been legally taken. This enabled the British navy temporarily to restrict the Monte Cristi trade. The business was not entirely broken up, and the following year, when Spain joined France in the war, traffic at Monte Cristi again became active. This finally, in 1762, roused Amherst, the British commander in America, to take the vigorous step of placing an embargo upon the trade of New England and the middle colonies. Amherst had hesitated for some time to adopt the plan of laying an embargo, because it injured the innocent trader as well as punished the lawbreaker; but the injury to commerce was not for a long period. The Peace of Paris brought the war to an end the following year.

The trade of the continental American colonies with the West Indies, foreign and British, was actively resumed in 1763; but Parliament, being confronted with a heavy debt, due largely to the Seven Years' War, was disposed neither to allow the colonies to ignore the Molasses Act of 1733, nor to permit them to continue to carry on an extensive commerce with various ports of the world practically tax-free. The well-known measures—associated with the names of George Grenville, Charles Townshend, and Lord North—for raising revenue by the amendment, extension, and rigorous enforcement of the Acts of Trade were adopted by Parliament in 1764 and the six succeeding years. As far as the trade with the West Indies was concerned, the change in the provisions of the Molasses Act and the steps taken to execute the modified law were the most important of the Grenville-Townshend acts.

[1]Beer, *British Colonial Policy, 1754–1765*, p. 98.

The duties imposed by the Molasses Act of 1733 (9 pence per gallon on rum, 6 pence a gallon on molasses, and 5 shillings per hundredweight on sugar) were too high to yield much revenue. The enforcement of the act would have stopped trade with the foreign West Indies, as was the intention of those responsible for the passage of the law. The law had yielded little revenue, because it was not enforced and was not enforceable. Until 1759, the law was practically ignored. The Sugar Act of 1764 was substituted for the Molasses Act, for the purpose of subjecting the trade with the West Indies to a law that could be made effective in yielding a revenue to be applied towards supporting the British military establishment in America.

By the Sugar Act, as passed in 1764, the importation of rum into America from foreign colonies was forbidden, the duty on foreign raw sugar was left at the old rate, and duty placed upon the refined articles was raised from 5s. to £1 7s. a hundredweight. The impost on foreign molasses, which was the commodity most largely purchased in the non-British sugar islands, was lowered from 6 pence to 3 pence a gallon. As the North American colonies could secure rum and sugar in large quantities from the British islands, their chief opposition to the Sugar Act of 1764 was to the relatively high import duty of 3 pence per gallon on foreign molasses, and their opposition was so vigorous and effective that at the end of two years the British Government changed the molasses tax from 3 pence per gallon on foreign molasses to the low rate of 1 penny per gallon, but levied this rate upon all of the articles imported, whether from foreign or British countries, this change being made at the same time that the still more obnoxious Stamp Act was repealed.

Grenville's vigorous measures to enforce the Sugar Act of 1764 were largely unsuccessful. The smuggling of molasses and other West India products continued, despite the zeal of the customs officers armed with writs of assistance and supported by the Vice-Admiralty Court. The authority of the British officials was denied, and when in 1765 the Stamp Act added fuel to the fire, the customs officers were successfully defied by mobs. The effect on the trade which the British merchants had in America was so disastrous that the British Government the following year sought to placate the colonies by repealing the Stamp Act and reducing the molasses duty. One effect of the reduction of duty on molasses to 1 penny per gallon was a diminution of smuggling and a large increase in the revenue derived from the duty.

THE AFRICAN SLAVE TRADE.

One important feature of the trade of the American colonies with the West Indies was the traffic in slaves, the account of which was omitted from the above discussion of the West Indian trade in order that the subject might be treated separately.[1] The traffic in African slaves was

[1]This account of the slave trade is based largely upon *The Suppression of the African Slave Trade*, by W. E. Burghardt Du Bois.

closely connected with the West Indian trade, because nearly all of the negroes purchased in Africa by the English, French, Portuguese, Dutch, and American slave traders for sale in the American market were brought first to the West Indies, the slave markets in which islands supplied both the sugar estates of the islands and the plantations of the continental American colonies. It was not until after the Revolution, when the trade of the United States with the West Indies was limited to the use of British ships, that the direct importation of negroes from Africa became frequent. Previously only occasional cargoes were imported directly. Throughout the colonial period, after the use of slave labor became general, negroes constituted a regular and important part of the export traffic from the West Indies to North America.

The merchants of Holland were the first to develop the West Indian slave trade on a large scale. During the first two decades of the seventeenth century several small Dutch companies began taking from Holland to Africa goods with which they secured negroes that were taken to the West Indies or Brazil and there exchanged for sugar. In 1621 these various companies united in the celebrated Dutch West India Company, to which Holland gave a monopoly of the American trade; and this company engaged so extensively and profitably in the African-West Indian slave traffic as to arouse the English to active competition. Although the first slaves sold in continental America—the 20 negroes purchased in Virginia in 1619—were brought by Dutch traders, the Dutch did not, as a matter of fact, engage to much extent in bringing the slaves from the West Indies to the American mainland. There was but little demand for slaves in New Netherland; and the majority of the Dutch slave ships held to the triangular route from Holland to Africa, Brazil or the West Indies, and thence home.

The English pushed the trade actively after 1630, and in 1672 the powerful Royal African Company came into existence and organized the traffic on a larger scale than it had hitherto reached. During the 20 years from 1713 (when Great Britain secured from Spain a monopoly for 30 years of supplying the Spanish colonies with slaves) until 1733, the English took 15,000 negroes annually to America, one-third being taken to the Spanish and two-thirds to the British islands. Later, the traffic reached larger figures, especially after 1750, when the Royal African Company was dissolved. Neither the exact number of slaves imported into the West Indies nor the percentage of them that were subsequently taken to the continental American colonies is known, because a large part of the traffic, unlike that carried in the British ships, was unregistered, being carried on in the ships of non-British European countries and of the American colonies. According to Du Bois: "It is probable that about 25,000 slaves were brought to America (the West Indies) each year between 1698 and 1707." The number then fell off, but rose after 1713 to "perhaps 30,000."

The number of slaves annually imported into the American colonies increased as the eighteenth century advanced. Bancroft places the

slave population of the continental colonies at 59,000 in 1714, 78,000 in 1727, and 293,000 in 1754. Bancroft's figures were probably conservative, the estimate of Doyle, as stated in the early part of this chapter, being 96,000 blacks in 1720. The estimate of Channing for 1760 was 386,000 negroes. In 1790, when the first census of the United States was taken, there were 697,877 slaves in the country. This steady growth in the number of the slave population in the continental colonies was due in part to natural increase, this being particularly true of the negroes in the Chesapeake colonies; and in the colonies further south, with the exception of the slaves on the rice plantations, the negroes lived under healthy conditions. The condition of the negroes was quite otherwise in the sugar islands, where the mortality was high and the importation of a large number of slaves each year was necessary.

The negroes brought annually to the continental American colonies must have averaged 10,000, and possibly much more than that number, during the 50 years preceding the Revolution. English ships imported about 3,000 into South Carolina each year from 1733 to 1766, and slaves were also brought by American and other traders.

There were five causes, economic and social, that accounted for the existence and growth of this traffic in human beings:

1. The planters in all the colonies south of Pennsylvania depended mainly upon slave labor and required an increasing number of negroes with the progress of each colony in industry and population. In Maryland alone of the southern colonies was there any dependence upon free labor, and there the slaves outnumbered the hired hands.

2. In the middle colonies, and to a small extent in New England, negroes were in demand as domestic servants, and were sometimes used for farm labor; but the number of slaves in Pennsylvania before the war did not exceed 11,000, and in New Jersey the maximum was less than half that figure. New York had a relatively large slave population amounting to 21,149 in 1774. The relative unimportance of slavery in New England is indicated by the fact that the maximum negro population in Connecticut was about 6,500, and in Massachusetts about 5,800. Little Rhode Island, on account of the active slave trade carried on at Newport, had only a thousand less slaves than did Massachusetts; whereas in New Hampshire slavery was almost nonexistent, there never having been as many as 700 slaves in the colony at any one time.

3. While the slave trader, and particularly the American slave trader, was not responsible for the existence of slavery in America, and was not the chief cause of its continuance and growth, yet the profits which American shipowners and captains derived from the traffic in African negroes caused them and the commercial interests in general to condone slavery throughout the colonial period, even in the northern colonies, and, except in Pennsylvania, to oppose successfully, until after the Revolution, the placing of any serious restrictions upon the slave trade.

The abolition of slavery by the northern colonies in most instances antedated the prohibition of the slave trade. The last anti-slave-trade laws to be passed by the colonial or State governments were those forbidding their citizens to engage in the traffic outside of the colony or State. Most of the northern colonies passed such laws before the end of the eighteenth century; but New York did not, and some of her citizens continued in the slave trade until the Civil War—of course clandestinely after the passage of the federal act of 1808.

4. The commercial interests of Great Britain, as well as those of America, were opposed to the colonial laws restricting the importation of negroes. From time to time the southern colonies felt, as did South Carolina as early as 1698, that "the great number of negroes which of late have been imported into this colony may endanger the safety thereof," and various steps were taken to mitigate the evil. Special encouragement was given white immigration; per capita taxes were placed upon imported negroes, the amount of the tax varying with the degree of public alarm. Occasionally this tax was made so high as to be prohibitive,[1] and in one instance, South Carolina in 1760, the importation was prohibited. This act of South Carolina was vetoed by the British government, as were numerous of the colonial laws imposing high duties on imported negroes, as for example, the Virginia acts of 1723 and 1727 and the Pennsylvania act of 1713 imposing a head tax of £20. Many similar laws were nullified by the veto of the royal governors or by the disapproval of the mother country. Indeed, the British slave-traders seem to have had no great difficulty in persuading the British government to check the efforts of the American colonies to restrict the slave trade.

5. Another economic reason, even more determinative than the profitableness of buying negroes in the cheap slave markets of Africa and selling to the slave-dealers and planters of the West Indies or the American continental colonies, accounting for the prominent place held by the slave traffic in the commerce of the northern colonies, was the intimate connection of this traffic with both the West Indian trade and with the rum-manufacturing business of New England. What this connection was can best be described by the account of the voyage and traffic of a typical slave-ship, the brigantine *Sanderson*, of Newport, Rhode Island. The vessel was fitted out from her home port in March 1752, having, besides the captain (a Mr. Lindsay), two mates and six men in her crew, and carrying a cargo of 8,220 gallons of rum and also some short iron bars ("African" iron), flour, pots, tar, sugar, provisions, shackles, shirts, and water. Upon reaching Africa the cargo was, with some difficulty, exchanged for slaves and for some gold dust and pepper. Captain Lindsay then proceeded to the Barbados, where he arrived June 17, 1753, and where he sold his cargo of 56 slaves, "all in helth and fatt," from £33 to £56 per head, and also disposed of 40

[1]For an account of these laws in each colony consult Du Bois, chapters 2–4.

ounces of gold dust and 8 or 9 hundredweight of pepper. The net proceeds of these sales above expenses was £1,324. From this sum the captain spent £911 17s. in purchasing 55 hogsheads of molasses and 3 hogsheads 27 barrels of sugar, the remainder due the captain being paid him in bills of exchange on Liverpool. From the Barbados the *Sanderson* returned to Newport, and her owners were so well pleased with the success of her captain that they at once fitted out another vessel and sent Captain Lindsay forth on another trip.[1] Most of the slave vessels like the *Sanderson* were small, their usual size being less than 100 tons.

Oftentimes the vessel that brought slaves from Africa to the West Indies would take slaves to the southern colonies and there purchase ship-building materials, or to more northerly colonies and exchange the negroes for staves and cooperage supplies. Many slaves were brought from the West Indies to Newport, which was a central market from which the colonies north and south were in part supplied with negroes. However, Newport, although it had the distinction of being the largest slave market, was only one of many ports from which the slave trade was carried on; Boston, Salem, New York, and many other places participated in the business. As distinguished a citizen of Boston as Peter Faneuil was the owner of a slave ship.

The African slave trade furnished the rum distillers of New England with one of their three principal markets. The home demand and the Indian trade doubtless gave them the largest outlet for their product; the exports to Africa probably ranked second in amount; while the fishing fleets provided the third market. The distillers as well as the traders of New England profited by the prosecution and development of the traffic in African negroes.

The opposition to slavery brought about the abolition of the institution in the middle and New England colonies during or shortly after the Revolution. The victory was won with comparative ease, because both the economic interests and moral forces of society were against slave labor in those colonies. Slave-holding was not profitable where small-farm agriculture prevailed, where skilled artisans were in demand, and where a goodly share of the population led the free and hardy life of fishermen and seamen. The extermination of the slave trade was more difficult, because powerful economic interests favored its continuance; but with slavery overthrown in the middle and northern colonies, it was inevitable that the moral sentiment against the traffic in human beings should soon prevail. Consequently the legalized slave trade had practically ceased before the close of the eighteenth century. Unfortunately, the trade did not stop, and as the traffic came to be condemned first by the moral sentiment of society and then by statute law, the horrors of the traffic increased. The worst days of the slave trade were the latter days.

[1] Du Bois, *Suppression of the African Slave Trade*, 28.

FROM THE PEACE OF PARIS TO THE DECLARATION OF INDEPENDENCE.

The trade revival that usually follows a war came in 1764, at the close of the French and Indian War. The remoteness of America in distance and time of ocean transit from the enemies of Great Britain, and the crippling of the French fleet by the British navy early in the struggle, enabled the continental American colonies to carry on the larger part of their commerce without serious interference; but the military operations in America unavoidably checked industry to some extent, and the risks of capture by privateers and French men-of-war must have been a deterrent to commercial undertakings.

That such was the case is evidenced by the fact shown in table 8, on pages 120 and 121, that the trade of all the colonies, with the exception of Virginia and Maryland, was noticeably larger in 1764 than it had been the two preceding years. As the export trade of Virginia and Maryland consisted almost entirely of tobacco, which could be sold only in the English realm, and as their imports were made up mainly of British manufactures, the Seven Years' War had not greatly affected their commerce, although the export figures of 1754 were not again reached until 1762, during which year there was a large expansion of both exports and imports.

Table 3, on page 89, giving the average annual value of the imports and exports of the trade of the colonies with the mother country for each decade from 1700 to 1780, shows that the yearly average was much the largest from 1760 to 1770; and this was so in spite of the undoubted curtailment of trade caused by the non-importation agreements with which the colonists sought to compel Great Britain to abandon her policy of enforcing the Acts of Trade and otherwise taxing the colonies. Had Great Britain continued, after 1763, the same liberal policy toward the trade of the colonies that she had followed prior to that time, the average annual value of her commerce with the American continent during the years following 1760 would have been much larger.

In one of the colonial industries there was a most notable expansion some time in advance of the formal treaty of peace in 1763. Promptly following the fall of Quebec and the crushing of the French power in Canada, American whalemen began operations throughout the Gulf of St. Lawrence from the lower course of the River St. Lawrence to and through the Straits of Belle Isle, a broad expanse of water that had hitherto been monopolized by the French, who were not so skillful as were the people of Nantucket in the destruction of whales. The whaling vessels sent out from Massachusetts to the Gulf of St. Lawrence increased from 10 in 1761 to 50 in 1762, and to 80 or more in 1763.[1] A larger exportation of whalebone to England immediately began, despite the high customs duty. At and prior to this time most of the whale products from continental America had been imported into Great Britain by the Dutch whalers, against whom the English had not made

[1]Weeden, *Economic and Social History of New England*, II, 746. (Weeden refers to Mass. *Archives*, lxvi, 243.)

much headway. For a long time the British Government had favored both English and colonial whalers in the fisheries off the coast of Greenland, both by permitting the whalers to import the bone secured in those waters duty free, and by granting a bounty on this bone. This liberal policy had been adopted to develop seamen for the navy. In 1764 Parliament, seeing that it would be possible to transfer the trade in whalebone from the Dutch to the British colonists in America, removed nearly the entire duty upon whalebone imported by British subjects. The consequence was that Holland forthwith lost the trade, and the Americans secured it.[1] In 1761 there were 27 hundredweight of whalebone imported into Great Britain directly from America, and 2,500 hundredweight from Holland; in 1764 the imports from America were 1,550 hundredweight and from Holland 73 hundredweight.

The cod and other fisheries were carried on more largely and more profitably upon the restoration of peace in 1763 and the elimination of the dangerous privateers. With the development of the cod fisheries there was an expansion of exports to the West Indies, a larger importation of molasses, and a greater output of rum. With an abundance of New England rum for export, and with the enlargement of plantation farming in the southern colonies, the conditions precedent and the incentives to the prosecution of the African slave trade were present. It seemed, in 1764, that both economic and political conditions favored the colonial fisheries, the West Indian and African trades, and the commerce with Great Britain—in a word, all the maritime activities of the colonies.

Nor was the British Government in any sense averse to a large development of American commerce. The King, Parliament, and people of the mother country believed as firmly as ever that the commerce of all parts of the empire should be so regulated as to maintain the principles of the mercantile theory; and they also thought the trade of the colonies as well as that of the realm should be taxed to meet the expenses of imperial defense. Subject to these two limitations, the larger the trade of the colonies the better it would be for the mother country as well as the colonies. Grenville did not set about to injure the colonial trade; on the contrary, several of his measures were intended to build it up.

In addition to favoring the colonial whale-fisheries, as explained above, bounties were bestowed in 1765 upon lumber imported into Great Britain from America, although colonial lumber had, since 1722, enjoyed preferential duties over that from foreign countries; and silk was added to the list of articles that had previously received bounties—hemp, masts, tar, pitch, turpentine, and indigo. It is true that the bounties on hemp and masts had had but little effect, and that silk was not successfully grown in America. The bounties had aided the southern rather than the northern colonies; but by the preferences granted in the duties on imports into Great Britain and

[1]Beer, *British Colonial Policy, 1754–1765*, pp. 218–221.

by the drawbacks given on goods reexported from the realm, the northern colonies as well as the southern were favored. The manner in which the British duties and drawbacks sought to foster as well as to regulate the trade of the colonies with the mother country has been explained in Chapter III. Grenville and Rockingham continued the policy of their predecessors and made further concessions.

It is well to keep in mind the facts just stated and to remember that the purpose of the mother country was to foster as well as to regulate and tax the commerce of the colonies. The regulatory action taken after the Peace of Paris consisted mainly of a stricter enforcement of the old Acts of Trade and the inclusion of most of the colonial exports among the "enumerated" articles that could be sold only in Great Britain or the colonies. It was inevitable that the British Government should some time seek to strengthen her administration of the colonies and to give validity to the laws regulating colonial trade, and in 1764 there were two impelling reasons for making the attempt at that time. Having decided that the expenses of governing, and particularly of defending, the widely separated portions of the empire were too heavy for Great Britain to bear without the aid of the colonies, the policy of taxing colonial trade and of enforcing the tax laws seemed logically the one to adopt. Moreover, the open and persistent trade of the colonies with the enemies of England during the Seven Years' War had impressed the mother country with the necessity both of enforcing the Acts of Trade and of extending the list of commodities that might be sold only in Great Britain and the British possessions.

Grenville seems to have been a man of a logical mind devoid of imagination; neither he nor his colleagues in the ministry had any conception of the difficulties they would meet with in regulating and taxing the colonial trade. The story of the successful colonial opposition to the plans adopted by ministry and Parliament to carry out the policy of trade regulation and taxation need not be repeated. We all know that the measures intended to develop certain lines of colonial industry and trade were more than negatived by the results of the concurrent attempts to tax American commerce; that the Sugar Acts of 1764 and 1766 could not be enforced; that the Stamp Act of 1765 resulted in riot instead of revenue, and was repealed in a few months; that the eloquent Townshend in 1767 could easily persuade Parliament to lay colonial impost duties upon various articles—glass, paper, painters' colors, red and white lead, and tea—but could not overcome the effect of the consequent colonial non-importation agreements; and that George III's irresolute and ill-informed premier, Lord North, found the temper of the colonists to be such by 1770 that they would neither permit taxed tea to be landed nor submit peacefully to the presence of British troops sent to maintain order in America. In a word, the attempt to regulate and tax colonial trade not only failed of its purpose, but resulted, in consequence of the fatuous administrative policy to which the King and his ministers blindly adhered, in the American

Revolution, and the political disunion of the two great national exponents of Anglo-Saxon civilization.

In studying the commercial as contrasted with the political effects of the British taxation of American trade from 1764 to 1770, the fact should be remembered that only a small portion of the trade was directly affected by the tax laws. The vigorous opposition of the colonies was not due to the throttling of American commerce nor to the crippling of industry. The years separating the Peace of Paris and the opening of the Revolution were not a period of hard times. Conditions in America were fairly prosperous. Had the relations with Great Britain been harmonious, industrial progress would have been more rapid, and maritime trade would have been larger; but, in spite of the limiting effects of the non-importation agreements, the commerce of most of the colonies, even with Great Britain, where the friction was greatest, reached its maximum in 1771 and 1772; and, in 1773 and 1774, the two years preceding the outbreak of hostilities, the commerce of the colonies with the mother country was larger than it was ten years previous. It was the principle of parliamentary taxation without representation rather than actual economic oppression, against which the American patriots made their determined stand. The American Revolution was fought to secure political liberty because it was felt that without political freedom the economic prosperity of the colonies could not continue.

MONETARY CONDITIONS AS AFFECTING COMMERCE IN THE EIGHTEENTH CENTURY.[1]

Throughout the colonial period trade both domestic and external was hampered by the absence of a uniform system of money current among the several colonies. Indeed, the monetary conditions were well-nigh chaotic; Massachusetts coined a limited quantity of "pine-tree shillings" from 1652 to 1686, but the colonies had no common currency of their own, nor were they able to obtain any considerable supply of English money—pounds, shillings, and pence. The total supply of metallic money in the colonies during the eighteenth century was not small, although it came far short of being adequate for business at a time when credit institutions were undeveloped. The coins were Spanish, Portuguese, and French, mainly Spanish. The exportation of coin from England was prohibited by law; but the statute was unnecessary as far as the American continental colonies were concerned,

[1]The history of money and banking is not attempted in this work, although there is a vital connection between commerce and both money and credit. Only a brief statement of the monetary conditions in the latter half of the colonial period is here deemed necessary. For a comprehensive treatment of the subject consult C. J. Bullock, *Monetary History of the United States*, and Henry Phillips, Jr., *Paper Currency of the American Colonies*. Special students of financial history will wish to consult the works dealing with the monetary history of single colonies, such as A. M. Davis, *Currency and Banking in the Province of Massachusetts Bay;* E. R. Potter and S. S. Rider on *Paper Money of Rhode Island* (in R. I. Hist. Tracts, first series, No. 8); W. Z. Ripley, *Financial History of Virginia* (in Columbia Univ. Studies, IV, No. 1), and other similar works of which several are in existence and in preparation. A good brief discussion of the colonial monetary system, with numerous references to sources of information, is contained in Edward Channing's *History of the United States*, II, 496–507.

because the continuous balances of trade in favor of Great Britain caused a steady flow of coin from the colonies to the mother country. The scarcity of current coin was a permanent condition in America.

Although the coins used were not English, prices were quoted in pounds, shillings, and pence, the ratios between the various non-British coins and English money being fixed, by business practices or by statutes, dissimilarly in the different colonies, to the serious detriment of intercolonial exchanges. The most generally accepted money basis in the colonies was the Spanish coin of 8 reals, "the piece of eight," which was equivalent to 4 shillings 6 pence English money; but in New York and North Carolina this coin was made equal to 8 shillings; in New Jersey, Maryland, Pennsylvania, and Delaware to 7 shillings 6 pence; in New England and Virginia to 6 shillings, and in South Carolina and Georgia to 4 shillings 8 pence. The difficulty of carrying on industry and commerce under these conditions may be readily imagined.

The supply of coin being insufficient to meet the needs of trade, two practices, begun in the seventeenth century, were continued in the eighteenth. One was the designation by law of some staple commodity as a standard of value. As is well known, tobacco took the place of money to a large extent in Virginia from the early years of the colony. Later, in 1730, the colony built warehouses in which owners of tobacco might store the commodity and receive therefor transferable notes somewhat similar to the silver and gold certificates now in circulation. At one time wheat certificates were current in Pennsylvania, and in New England public dues were, at times, made payable in specified products at fixed prices, while private contracts for the settlement of obligations in staple commodities were often made. These devices for doing business without the use of money were necessary, and, although they often entailed serious burdens upon creditor or debtor, they were of undoubted public benefit.

This, however, can not be said of the other means to meet the situation created by the inadequate supply of coin—the issue of paper currency, much of which was fiat money. As was stated in the preceding chapter, Massachusetts was the first to yield to the soft-money temptation, her original issue of paper notes being made in 1690 to pay the expenses of the unsuccessful expedition against Quebec. Subsequent emergencies led to numerous issues of paper currency, despite the opposition of the British Government and of the conservative residents of the colony. Carolina began the issue of paper money in 1702, New York in 1709, Rhode Island in 1715, and Pennsylvania in 1723. All of the colonies put forth various issues of paper notes, some colonies, as Pennsylvania, in a relatively conservative way that resulted in little harm; others, as Rhode Island, with a reckless disregard of the laws of trade and finance.

The paper currency issued by the colonies consisted in part of "bills of credit" or "treasury notes," the redemption of which was provided

for in the legislation authorizing the issues. Some of the colonies were conscientious in retiring the bills according to the terms of their issue, but other colonies were not; and most of the colonies indulged more or less in putting out irredeemable or fiat money. In part, also, this fiat currency consisted of small paper bills to provide retail trade with the necessary change, the need for which was very great. What the colonists ought to have done is what could hardly have been expected of them. They should have taxed themselves, purchased bullion, and issued coin or paper notes redeemable in coin or bullion; but capital seemed to them much too scarce to be tied up thus in the vaults of the colonial treasuries.

The desirability of having actual value back of paper notes was realized, and the not unnatural expedient was tried of establishing "land" banks with power to issue notes against mortgages upon land—the only kind of capital that was really abundant; but it goes without saying that such experiments were foredoomed to failure. Banking, public and private, in colonial times was too crude to create successful institutions of credit, let alone to provide a safe circulating medium—a much more difficult function to perform. It is, however, not surprising that the colonies resorted to the issue of paper currency when one considers the urgent need of a circulating medium and the practical impossibility of maintaining within the colonies an adequate volume of metallic money.

SUMMARY.

During the 75 years of the colonial period falling within the eighteenth century, American maritime commerce kept even pace with the economic progress of the several colonies. The deterrent effects of the long wars were relatively slight and of short duration. The laws of the mother country intended to secure to Great Britain the benefits of a monopoly of the international commerce of her American colonies were enforced in so far as their enforcement placed little or no actual check upon the development of America, but remained a practical dead letter as regards those branches of trade that would have been seriously restricted by giving validity to the laws. The commercial growth of the continental American colonies was in the main autonomous. The settlements in America were not economically a part of the English "realm;" they were colonies, and the British Acts of Trade did not change their status.

The industrial welfare of the colonies, in 1775, almost as much as in 1700, was dependent upon maritime commerce. The diversification of production had advanced somewhat further in the middle colonies than in New England or the South; but, even in the region between the Chesapeake and the Hudson, little headway could have been made without the free exportation of surplus commodities to the West Indies and the other continental colonies and the importation of Euro-

pean wares and supplies. In the southern colonies, where most of the population was engaged in growing staple agricultural products for export, progress was conditioned absolutely upon the steady increase in the volume of ocean commerce. The natural markets of southern products were in Europe. New England, the most maritime of all the colonies, drew her wealth mainly from the fisheries, the West Indian and African trades, the manufacture of rum, the construction of vessels, and their extensive use in the carrying trade of all the colonies. Agriculture yielded little for export, and some food was imported. Commerce was the very life of New England. When in 1774 the British Parliament, recognizing this fact, sought to force New England into submission by closing its leading port to the commerce of the world, the attempt was a failure, because the very severity of the measure united all the colonies in support of New England and in defense against an attack that threatened the political liberties and economic opportunities of every colony.

The West Indian trade, at the close of the colonial period, occupied as pivotal a position in the commerce of the colonies as it had held in 1700. Indeed, its importance had become greater. Throughout the eighteenth century to the time of the Revolution the commerce with the West Indies, foreign as well as British, had been of such vital consequence to the welfare of the middle and New England colonies that not even the great wars between England and France, though waged in America as well as in Europe and the East, had stopped traffic between the continental colonies and the foreign sugar islands. There was no general spirit of disloyalty in America from 1755 to 1763, although the imperial sentiment was weak. The insistence of the colonial merchants upon trading either indirectly or directly with the enemies of the mother country indicates that non-intercourse involved a greater economic sacrifice than their loyalty and patriotism prompted them to make. Of course, it should not be forgotten that France, especially after the fall of Quebec, seemed to the colonists to be a distant enemy, and the active foe rather of the British people in Great Britain and India than of those in America.

The connection between the maritime trade and the economic welfare of the continental American colonies was so close that the efforts made by Great Britain, shortly after the Peace of Paris, to carry out the principles of the mercantile system by enforcing the old Acts of Trade, and the policy of taxing moderately a portion of the external and internal commerce of the colonies aroused a degree of opposition in America out of all proportion to the actual burdens which the attempted regulation and taxation would have imposed. The colonists felt that any effective interference with their trade was fraught with serious consequences. They stoutly resisted the principle and policy of trade restriction, because the regulation and taxation of their commerce endangered their economic and political future.

NOTES.

1. SOURCES OF STATISTICAL INFORMATION CONCERNING AMERICAN COLONIAL COMMERCE.

The officials chosen by the colonies did not keep commercial records; but there were two classes of British officials in the colonies—the collectors of the customs and the naval officers—whose records and reports ought theoretically to contain detailed statistics of the exports and imports and of the shipping of each colony year by year. As a matter of fact, however, the existing files of the reports of neither class of officials contain an unbroken record of any one of the continental American colonies for the first seventy-five years of the eighteenth century, whereas information concerning the entire maritime commerce of these colonies as a whole is to be had only for a period of five years beginning with 1768.

The law required the British collectors of customs stationed at the colonial ports to make a quarterly report, but they were not held to a strict observance of the law. Their remittances were at least as irregular as were the uncertain means of communication with the home government, and probably much more so. During a large share of the time there was little effort made by the British government to enforce the Acts of Trade, and it is hardly to be doubted that this lax administration of the laws caused the collectors to exercise their discretion as to the completeness and regularity of their trade reports. However that may have been, the remissness of the collectors was rendered of little present consequence by a fire that destroyed the original reports of these officials nearly a century ago.

When, in 1767, Charles Townshend sought to make his revenue measures effective, he created a Board of Customs Commissioners to supervise the administration of revenue laws. The reports made by the "Inspector-General of Imports and Exports of North America and Register of Shipping" for five years from 1768 to 1772, inclusive, have been preserved in a volume entitled *Ledger of Imports and Exports for America, 1768–1772*, and the data for those years are just such as would be desirable, but are not to be had, for the entire colonial period.

For the years of the eighteenth century prior to 1768, the chief sources of information are the Naval Office Lists containing the reports made in accordance with the act of 1663 by the naval officers to the Board of Trade, while that body was in existence, and previously to the committee or council having supervision of trade and plantations. It is most unfortunate that these detailed reports of the naval officers, containing, as they do, a record by ports of each vessel entered and cleared, the character and quantities (but not the tons) of cargo, do *not*—at least as now preserved—cover every year and include all the colonies.[1] If such were the case, a fairly complete picture of American colonial commerce might be drawn, although, even then, it would be possible only to estimate, and that as the result of great labor, the number of cargo tons comprised year by year in the outbound and inbound maritime commerce of the colonies. The value of the trade was not reported by the naval officers, but by the customs officers, if at all. It was, accordingly

[1]Under the head of Board of Trade Papers in the Colonial Office Catalogue, Public Record Office, London, the Naval Office Lists cover the trade of the following colonies for the designated years: Carolina, 1716–19, 1721–35, 1736–67; Georgia, 1752–67; Maryland, 1689–1702, 1751–65; Massachusetts, 1752–65 (see New England); New England, 1686–1717; New Hampshire, 1723–69; New Jersey, 1722–61; New York, 1715–65; Virginia, 1700–06, 1725–70. In addition to the foregoing "lists," unconsecutive returns or lists are to be found scattered throughout the Board of Trade Papers; but these returns would probably only partially fill in the gaps of the lists covered by the above-named catalogue. Moreover, it will be noted that Pennsylvania and Delaware are not included in the foregoing list of colonies.

necessary to content ourselves with a partial presentation of the tonnage and value of American commerce during the period covered by this chapter, and the same situation obtained both as regards the seventeenth century and the years from 1775 to 1789. Fortunately, the facts for a period of five years shortly before the Revolution are available.

The records kept by the customs office in Great Britain contain the quantities and the values of the commodities composing the export and import trade of Great Britain with her several American colonies; and, to show the value and the fluctuations in that trade, a table is appended to this chapter on pages 120 and 121, giving the value of the trade of the mother country, year by year from 1697 to 1776, with the colonies as a whole, and also the trade with the usual subdivisions of the colonies—New England, New York, Pennsylvania, Virginia and Maryland, Carolina, and Georgia. The figures in this table, with the exception of the totals, were compiled in 1776, from the custom-house records, by Sir Charles Whitworth, a member of Parliament. The original report by Whitworth is in the Public Record Office, London, being Volume 623, Board of Trade Papers, Commercial Series II, and entitled *State of Trade of England in its Imports and Exports, 1697–1773, distinguishing each country. With preface and introduction. Written in 1776 by Sir Charles Whitworth, M. P. From Custom House and other official records.* This volume contains: (1) Imports and exports compared with balance of each country, 1697–1773; (2) trade of England arranged under the particular head of each country. In this volume figures for the trade with New England, New York, Pennsylvania, Maryland and Virginia, Carolina, and Georgia are brought down to 1801.

In 1776, Sir Charles Whitworth published a volume entitled *State of Trade of Great Britain in its Imports and Exports, Progressively from the Year 1697; Also of the Trade to each particular Country, during the above period, distinguishing each year. In two parts. With a Preface and Introduction, setting forth the Articles whereof each Trade consists.* This printed volume brought the tables down to 1773, but in the copy of this volume in the Library of Congress, Washington, the tables for the trade with New England, New York, Pennsylvania, Maryland and Virginia, Carolina, Georgia, and Florida have been continued, with pen and ink, from 1773 to 1801, the facts for these years having evidently been copied from the Board of Trade volume above mentioned. The Library of Congress volume also contains a manuscript table giving the "Statistics of the Number and Tonnage of Vessels between Great Britain and North America and the West Indies, 1771–1801."

Whitworth's tables of the value of Great Britain's export and import trade with New England, New York, Pennsylvania, Maryland and Virginia, Carolina, and Georgia were reproduced in a single consolidated table in the first issue of Hazard's *Register*, Vol. I, pages 4–5. Hazard's table, with the addition of columns and of totals, is the one appended to this chapter.

2. DOCUMENTARY SOURCES AND OTHER REFERENCES.

(A) *Documentary Sources in England.*—The chief sources of information regarding the commerce of the American colonies are in London and especially in the Public Record Office and the British Museum. The scope and general value of the documents in these and the other public collections in London are briefly but admirably stated by Professor C. M. Andrews, in his paper on "Materials in British Archives for American Colonial History" in the *American Historical Review*, X, 325–349 (1904–05). Detailed accounts of documentary materials in London are to be found in C. M. Andrews, *Guide to the Materials for American History, to 1783, in the Public Record Office of Great Britain.* Vol. I, The State Papers; Vol. II, Departmental and Miscellaneous

Papers (1914); and in Andrews and Davenport, *Guide to the Manuscript Materials for the History of the United States, to 1783, in the British Museum, in Minor London Archives, and in Libraries of Oxford and Cambridge* (1908). These three volumes constitute Publications Nos. 90 and 90A of the Carnegie Institution of Washington, D. C. The documents of greatest interest naturally are (1) those to be found in the Treasury Papers, particularly the series of Treasury Accounts, including the Quarterly Accounts; (2) the Colonial Office Records; and (3) the Board of Trade Papers, Commercial.

(1) The Custom House Accounts comprise 396 volumes covering the entire eighteenth century. In this series will be found information regarding the duties collected at the colonial ports and the customs revenues. Statistics of imports and exports, however, are not contained in the treasury accounts, with the exception of the years 1768–1772, inclusive, there being a *Ledger of Exports and Imports, America*, for those five years. In the Admiralty Documents, Miscellanea, there is a tabular statement of exports and imports for each colonial port for 1768–69. So far as I have been able to discover, these are the only systematic statistical tabulations of exports and imports for any portion of the entire colonial period.

(2) The Colonial Office Records in the Public Record Office contain two classes of documents, each of great value—the "Naval Office Lists" and the "Board of Trade Papers and Journals." The Naval Office Lists, spoken of here separately, although they are a part of the Board of Trade Papers and Journals, are reports made by the naval officers appointed by the governors for each important port, and contain detailed shipping returns, *i. e.*, the facts in regard to the entrances and clearances of vessels, the size of the vessel, and the kind and usually the quantity of cargo. The Naval Office Lists, however, give no information as to tonnage and value of cargoes carried into and out of the colonial ports. Moreover, the Naval Office Lists cover only a part of the colonial period, the returns being complete for none of the continental colonies.

(3) The most voluminous source of information regarding the details, other than statistical, of the trade of the colonies is to be found in the Board of Trade Papers and Journal comprising the governors' correspondence, entry books, abstracts of letters, minutes of council and assembly of the several colonies, records of grants of land, the Naval Office Lists (above described), and some custom-house accounts.

In addition to these Board of Trade Papers and Journals, there is another series comprising over 600 volumes discovered during recent years. This series is now known as the Board of Trade Papers, Commercial, and is divided into two series. As Professor Andrews says: these "two series of commercial papers must have been originally a part of the Board of Trade Papers." In most of these volumes the information contained is so indefinite as to make their value to students of commerce comparatively slight. There are some exceptions to this, however, notably volume 623, *Board of Trade, Commercial*, Series II, which contains an account of "State of trade of England in its imports and exports progressively from the year 1697; also of the trade of each particular country during the above period distinguishing each year. In two parts, with a preface and introduction setting forth the articles whereof each trade consists. 1776." This is the origin of the volume by Sir Charles Whitworth, to which reference is made below.

Some assistance to an understanding of the documents in the Public Record Office may be gained from reading parts of a paper by Louise Phelps Kellogg on "The American Colonial Charter," published in the *Annual Report of the American Historical Association for 1903*, I, 185–342. One section of this essay gives the history of the Board of Trade and Plantations and tells of its relation to the Colonial Office and to the Commissioners of Customs. The

Board of Trade and Plantations existed from 1696 to 1787. Until 1768 there were two Secretaries of State, one for the northern department and one for the southern department. The Board of Trade was subordinate to the Secretary of State for the Southern Department, who had jurisdiction over Irish and colonial affairs. In 1763 a third Secretary of State was created (for Colonial Affairs) and the Board of Trade became subordinate to that officer. After this time the Board soon became of little importance and, even before this, from the time of the close of Queen Anne's reign, it had little real authority and did not exercise much effective control in the administration of colonial affairs.

The Board of Commissioners of Customs, which had charge of the administration of colonial revenue acts, was established by the law of 1663. From 1670 to 1688 there was a Receiver-General of Customs. The following paragraph from Miss Kellogg's essay contains much information in a brief form regarding the customs officers, the naval officers, and their relations to each other:

"The Board's direct connection with the colonies was through the Governors who were instructed to correspond with the commissioners, and to send them, every three months, lists of clearances, and also reports of illegal trading. The governor's agent in matters of trade was the *naval officer* whom he was empowered to appoint, but who was required by 7th and 8th William III to give security to the commissioners of customs. The chief agents of the custom's board . . . . were the *collectors of the customs* whom they appointed for every port, and the *surveyors-general of customs,* of whom there were two in America, one for the southern and one for the northern department."

In addition to the manuscript documents in the Public Record Office and other depositories of London, there are numerous manuscripts and a large number of printed works in the British Museum. The most valuable is the Egerton No. 2395 collection, with which students of American colonial history are familiar.

The materials on commerce in the various public depositories in London were made the subject of a special report, prepared by Dr. Albert A. Giesecke, of Philadelphia. Dr. Giesecke's report, while incomplete, is valuable. It is in typewritten form, unpublished, a copy being in the Library of the University of Pennsylvania, Philadelphia.

(B) *Documentary Sources in the United States.*—Only a small part of the documentary material in the British archives has yet been or ever will be copied and brought to the United States. The most valuable collection of manuscript transcripts are:

(1) Board of Trade Papers in the library of the Historical Society of Pennsylvania, Philadelphia, as follows:

Board of Trade Papers—Proprieties, 1697 to 1776, 24 vols.
Board of Trade Papers—Plantations General, 1689 to 1780, 31 vols.
Board of Trade Journals, 1675 to 1782, 90 vols.
Stevens, *Facsimiles of Manuscripts in European Archives Relating to America, 1773 to 1783,* 25 vols.

(2) *Documents Relating to the Colonial History of the State of New York,* published in 13 volumes. The documents were selected and procured by John R. Brodhead, who acted as agent under the authority of an act of the State legislature of New York, passed in 1839. The papers were edited by E. B. O'Callaghan.

(3) *Colonial Records of North Carolina,* collected and edited by W. S. Saunders, vols. 1 to 10, 1662 to 1776 (1866 to 1905). Mr. Saunders's historical surveys introducing the volumes are of exceptional value to the student of general history.

(4) *Colonial Records of Georgia*, compiled by Allen D. Candler, vols. 1 to 17, 1732 to 1774 (1904 to 1908).

Most of the other original States have published the records and acts of their colonial assemblies. These records, however, contain few if any economic "documents," and very little, except laws, regarding commerce.

In the published colonial records of New York and North Carolina very little specific information concerning the volume of commerce as a whole or as regards particular commodities composing the commerce is to be had. Some idea may be gained as to the development of trade, the manner in which it was carried on, and the countries with which there were commercial exchanges. Naturally much is to be found regarding the evasions of trade laws, a subject that was constantly troubling the governors and customs officers. There were no statistical records kept in the colonies and consequently none will be found in the colonial records.

(C) *Statistical Sources.*—The original statistical sources regarding colonial commerce are practically confined to the volume above mentioned—*Ledger of Exports and Imports, America, 1768–1772.* Detailed but incomplete and untabulated statistical material regarding shipping and concerning the kinds and quantities of commodities exported and imported may be gathered from the Naval Office Lists. There are three secondary statistical sources readily available:

(1) Sir Charles Whitworth's volume entitled *State of Trade of Great Britain in its Imports and Exports, Progressively from the Year 1697; Also of the Trade to each particular Country, during the above period, distinguishing each year. In two parts. With a Preface and Introduction, setting forth the Articles whereof each Trade consists.* Information regarding the scope of this work and its origin is given above.

(2) The tables in Macpherson's *Annals of Commerce*, III, 570–573. For explanation of Macpherson's tables see footnote to table, page 119.

(3) The tables in the appendices to Lord Sheffield's *Observations on the Commerce of the American States*, London, 1783. Most of Sheffield's tables are confined to the trade between Great Britain and the colonies, but there are three tables not thus restricted. Appendix IV reproduces a table prepared by Thomas Irving, Inspector-General of the Imports and Exports of North America, and Register of Shipping, that gives an account of the imports into the North American colonies from southern Europe, Africa, and the West Indies. The figures in this table include all the provinces of North America, Newfoundland, Bermuda, and Bahama, and cover the year beginning January 5, 1770, and ending January 5, 1771. The chief articles and the value for each class of articles from each source are given. Appendix V gives a similar table presenting the quantity and value of articles exported from the colonies to Great Britain, Ireland, southern parts of Europe, Africa, and the West Indies. This table is also reproduced from a report by Thomas Irving and is for the year 1770–71. The third instructive table in the appendix to Sheffield's volume is the short one reproduced in this chapter, page 89, giving the average annual value of the exports and imports for each decade from 1700 to 1780, for "that part of America now the United States."

(D) *Contemporaneous Writings.*—Among the books upon commerce written during the eighteenth century from which the student of American history may derive some information are the following:

W. Wood, *A Survey of Trade, together with Considerations on our Money and Bullion.* (London, 1718.)

Joshua Gee, *The Trade and Navigation of Great Britain Considered.* (London, 1729.)

MALACHY POSTLETHWAYT, *Britain's Commercial Interest Explained and Improved. In a Series of Observations on the Several Branches of our Trade and Policy.* (2 vols., London, 1747.)

Ibid., Universal Dictionary of Trade and Commerce. (1757.)

JOHN DICKINSON, *Letters from a Farmer in Pennsylvania to the Inhabitants of the British Colonies.* (1769.)

JOHN LORD SHEFFIELD, *Observations on the Commerce of the American States. With an Appendix containing Tables of the Imports and Exports of Great Britain to and from all Parts, from 1700 to 1783. Also, the Exports of America, etc. With Remarks on those Tables, on the Trade and Navigation of Great Britain, and on the late Proclamation etc.* (London, 1784.)

RICHARD CHAMPION, *Considerations on the Present Situation of Great Britain and the United States of America, with a view to their Future Commercial Connections.* (London, 1784.)

GEORGE CHALMERS, *Introduction to the History of the Revolt of the American Colonies, being a Comprehensive View of its Origin from the State Papers in the Public Offices of Great Britain.* (2 vols., Boston, 1845.)

BENJAMIN FRANKLIN, *The Interest of Great Britain Considered with Regard to the Colonies.* (1761.)

EDMUND BURKE, *Speeches upon Conciliation with America and upon American Taxation.*

(E) *Recent Writings.*—

C. M. ANDREWS, *Colonial Self-Government.* (1904.)

W. B. WEEDEN, *Economic and Social History of New England.* (2 vols., Boston, 1890–1891.)

W. MACDONALD (Ed.) *Select Charters and other Documents Illustrative of American History, 1606–1775.* (New York, 1899.) Also, *Documentary Source Book of American History, 1606–1898.* (New York, 1908.)

E. B. GREENE, *Provincial America, 1690–1740.* (Amer. Nation Series, VI, New York, 1905.)

J. A. DOYLE, *English Colonies in America.* (5 vols., New York, 1882–1907.)

EDWARD CHANNING, *A History of the United States.* (Vol. I, 1000–1660; Vol. II, 1660–1760; Vol. III, 1761–1789; 1907–1912.)

WOODROW WILSON, *History of the American People.* (5 vols., New York, 1902.)

J. W. GARNER and H. C. LODGE, *The History of the United States.* (4 vols. Vol. I treats of the colonial period. Philadelphia, 1906.)

H. C. LODGE, *A Short History of the English Colonies in America.* (New York, 1881.)

H. W. ELSON, *History of the United States of America.* (One-volume edition, New York, 1904; same work in illustrated five-volume edition, 1905; in the five-volume edition the pre-revolutionary period is covered in Vol. I and the first chapter in Vol. II.)

E. M. AVERY, *A History of the United States and Its People.* (Vols. I–VII, Cleveland, 1904–1910.)

R. G. THWAITES, *The Colonies, 1492–1750.* (Epochs of American History, rev. ed., New York, 1897.)

G. P. FISHER, *Colonial Era.* (Amer. Hist. Series, New York, 1892.)

W. E. BURGHARDT DU BOIS, *Suppression of the African Slave Trade to the United States of America.* (1896.)

For detailed lists of historical works dealing with the eighteenth century, consult

CHANNING, HART and TURNER, *Guide to the Study and Reading of American History.* (New York, 1912.)

JUSTIN WINSOR, *Narrative and Critical History.* (8 vols., Boston, 1884–1889).

J. N. LARNED, *Literature of American History.* (Boston, 1902.)

A. B. HART (Ed.), *Source Book of American History.* (New York, 1900.)

The bibliographical notes in Channing and Doyle and in the various volumes of the American Nation Series contain many helpful references.

The general histories of the United States contain but little material for the student of industry and commerce.

TABLE 7.—*An account of the principal articles exported from all the British Continental Colonies, including the islands of Newfoundland, Bahama, and Bermuda, with the places to which they were sent, and their official value at the ports of exportation, during the year 1770.*[1]

Species of merchandise.	To Great Britain.	To Ireland.	To south of Europe.	To West Indies.	To Africa.	Total. Quantity.	Total. Value in sterling money. £	s.	d.
Pot ashes, tons	1,173	......	......	......	......	1,173	35,191	18	7
Pearl ashes, tons	737	......	......	......	......	737	29,468	10	7
Spermaceti candles, lbs	4,865	450	14,167	351,625	7,905	379,012	23,688	4	6
Tallow candles, lbs	......	......	1,630	57,550	240	59,420	1,237	18	4
Coals, chaldrons	......	......	......	20	......	20	25	0	0
Castorium, lbs	7,465	......	......	......	......	7,465	1,679	12	6
Fish, dried, quintals	22,086	450	431,386	206,081	......	660,003	375,393	17	0
Fish, pickled, bbls	123	25	307	29,582	31	30,068	22,551	7	6
Flaxseed, bush	6,780	305,083	749	......	......	312,612	35,168	18	1
Indian corn, bush	......	150	175,221	402,958	20	578,349	43,376	4	3
Oats, bush	......	......	3,421	21,438	......	24,859	1,242	19	0
Wheat, bush	11,739	149,985	588,561	955	......	851,240	131,467	0	10
Peas and beans, bush	......	......	1,046	49,337	......	50,383	10,076	12	0
Ginseng, lbs	74,604	......	......	......	......	74,604	1,243	8	0
Hemp, tons	86	......	......	......	......	86	129	11	3
Iron, pig, tons	5,747	267	......	......	......	6,017	30,088	10	0
Iron, bar, tons	2,102	85	273	3	......	24,064	36,960	17	3
Iron, cast, tons	......	......	......	2	......	2	32	13	11
Iron, wrought, tons	......	......	......	8	......	8	167	7	1
Indigo, lbs	584,593	......	......	83	......	584,672	131,552	2	0
Whale oil, tons	5,202	22	175	268	......	5,667	85,012	15	9
Whale fins, lbs	112,971	......	......	......	......	112,971	19,121	7	6
Linseed oil, tons	161	......	......	7	......	168	487	18	3
Copper ore, tons	41	......	......	......	......	41	853	13	0
Lead ore, tons	6	......	......	......	......	6	82	10	0
Bread and flour, tons	263	3,583	18,501	23,449	72	45,868	504,553	6	1
Meal, bush	......	......	......	4,430	......	4,430	443	0	0
Potatoes, bush	......	......	......	3,382	......	3,382	126	16	6
Beef and pork, bbls	......	......	244	tons 2,870	......	......	66,035	1	10
Butter, lbs	......	......	......	167,313	300	167,613	3,491	18	9
Cheese, lbs	......	......	......	55,997	......	55,997	933	5	8
New England rum, gals	600	7,931	45,310	2,574	292,966	349,281	21,836	0	0
Rice, bbls	74,073	......	36,296	40,033	117	150,529	340,692	15	0
Rough rice, bush	......	......	......	8,200	......	8,200	615	9	0
American loaf sugar, lbs	......	......	600	8,548	1,500	10,648	332	15	0

Raw silk, lbs.	541	......	......	......	......	541	541 11 3
Soap, lbs.	......	......	550	85,035	1,000	86,585	2,164 12 6
Shoes, pairs	......	......	......	3,149	......	3,149	393 12 6
Ship stuff, bbls.	......	......	7,327	640	......	7,964	9,958 15 0
Onions, value	......	......	£116 13 4	£6,378 16 1	......	......	6,495 9 5
Pitch, bbls.	8,265	......	......	822	57	9,114	3,200 8 0
Tar, common, bbls.	78,115	......	......	3,173	134	81,422	24,426 12 0
Tar, green, bbls.	653	......	......	......	......	653	261 4 0
Turpentine, bbls.	15,125	......	......	1,807	82	17,014	6,805 12 0
Rosin, bbls.	195	......	......	28	......	223	278 15 0
Oil of turpentine, bbls.	11	......	......	30	......	41	102 10 0
Masts, yards, etc., tons	3,043	......	......	2	......	3,045	16,630 0 0
Walnut wood, value	£105 15 11	£9 0 0	......	......	......	......	114 15 11
Pine, oak, cedar boards, ft.	6,013,519	329,741	486,078	35,922,168	4,800	42,756,306	58,617 15 10
Pine timber, tons	10,582	50	64	315	......	11,011	4,404 14 5
Oak timber, tons	3,710	10	10	144	......	3,874	3,487 8 2
Houses, framed, No.	......	......	......	163	......	163	3,260 0 0
Staves and headings, No.	4,921,020	2,828,762	1,680,403	11,116,141	......	20,546,326	61,618 19 5
Hoops, No.	18,912	......	7,072	3,817,899	8,500	3,852,383	8,667 16 8
Shook hogsheads, No.	......	......	549	62,099	30	62,678	7,834 15 0
Cattle, No.	......	......	......	3,184	......	3,184	14,328 0 0
Horses, No.	......	......	......	6,692	......	6,692	60,228 0 0
Sheep and hogs, No.	......	......	......	12,797	......	12,797	4,478 19 0
Poultry, dozens	......	......	......	2,615	......	2,615	1,177 1 0
Furs, value	£91,485 14 9	......	......	......	......	......	91,485 14 9
Deer skins, lbs.	799,652	185	......	......	......	799,837	57,738 19 7
Tobacco, value	£904,981 14 0	......	......	£1,569 0 4	£87 3 9	......	906,637 18 1
Tallow and lard, lbs.	800	......	......	183,893	450	185,143	3,857 2 11
Beeswax, lbs.	62,794	10,980	50,529	1,820	2,400	128,523	6,426 3 0
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.		£ s. d.
Total value of articles shipped as American produce	1,686,654 4 6	114,078 13 6	685,920 6 4	844,178 14 9	21,381 16 6	......	3,356,159 10 2
Foreign merchandise, mostly from the West Indies	65,860 6 9	4,698 5 10	5,991 17 1	4,754 16 0	296 12 0	......	81,554 17 0
Total exports	1,752,514 11 3	118,776 19 4	691,912 3 5	848,933 10 9	21,678 8 6	......	3,437,714 7 2

[1]This table is taken from Macpherson's *Annals of Commerce*, III, 572–573. The same table in more detailed form constitutes Appendix V to Lord Sheffield's *Observations*. As presented in Sheffield, the table is apparently a literal transcription of an annual report by Thomas Irving, Inspector-General of the Imports and Exports of North America, and Register of Shipping. The report is dated at the Custom House, Boston, 1st of October, 1771. Appendix IV to Sheffield's *Observations* presents another report made on the same date by Thomas Irving, giving a detailed "Account of the Goods and Produce imported into the several Provinces of North America, the Islands of Newfoundland, Bahama and Bermuda," for the year 1770.

TABLE 8.—*Trade between Great Britain and the American Colonies from 1697 to 1776,*[1] *showing the exports from and imports into the then colonies.*

Year.	New England.		New York.		Pennsylvania.		Virginia and Maryland.		Carolina.		Georgia.		Total.	
	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1697	26,282	68,468	10,093	4,579	3,347	2,997	227,756	58,796	12,374	5,289	......	......	279,852	140,129
1698	31,254	93,517	8,763	25,279	2,720	10,704	174,053	310,135	9,265	18,462	......	......	226,055	458,097
1699	26,660	127,279	16,818	42,792	1,477	17,064	198,115	205,078	12,372	11,401	......	......	255,442	403,614
1700	41,486	91,918	17,567	49,410	4,608	18,529	317,302	173,481	14,058	11,003	......	......	395,021	344,341
1701	32,656	86,322	18,547	31,910	5,220	12,003	235,738	199,683	16,973	13,908	......	......	309,134	343,826
1702	37,026	64,625	7,965	29,991	4,145	9,342	274,782	72,391	11,870	10,460	......	......	335,788	186,809
1703	33,539	59,608	7,471	17,562	5,160	9,899	144,928	196,713	13,197	12,428	......	......	204,295	296,210
1704	30,823	74,896	10,540	22,294	2,430	11,819	264,112	60,458	14,067	6,621	......	......	321,972	176,088
1705	22,793	62,504	7,393	27,902	1,309	7,206	116,768	174,322	2,698	19,788	......	......	150,961	291,722
1706	22,210	57,050	2,849	31,588	4,210	11,037	149,152	58,015	8,652	4,001	......	......	187,073	161,691
1707	38,793	120,631	14,283	29,855	786	14,365	207,625	237,901	23,311	10,492	......	......	284,798	413,244
1708	49,635	115,505	10,847	26,899	2,120	6,723	213,493	79,061	10,340	11,996	......	......	286,435	240,184
1709	29,559	120,349	12,259	34,577	617	5,881	261,668	80,268	20,431	28,521	......	......	324,698	296,626
1710	31,112	106,338	8,203	31,475	1,277	8,594	188,429	127,639	20,793	19,613	......	......	395,774	333,443
1711	26,415	137,421	12,193	28,856	38	19,408	273,181	91,535	12,871	20,406	......	......	426,090	439,666
1712	24,699	128,105	12,466	18,524	1,471	8,464	297,941	134,583	29,394	20,015	......	......	324,534	269,596
1713	49,904	120,778	14,428	46,470	178	17,037	206,263	76,304	32,449	23,967	......	......	365,971	309,691
1714	51,541	121,288	29,810	44,643	2,663	14,927	280,470	128,873	31,290	23,712	......	......	297,246	452,366
1715	66,555	164,650	21,316	54,629	5,461	17,182	174,756	199,274	29,158	16,631	......	......	457,471	425,333
1716	69,595	121,156	21,971	52,173	5,193	21,842	281,343	179,599	46,287	27,272	......	......	249,814	293,659
1717	58,898	132,001	24,534	44,140	4,499	22,505	296,884	215,962	41,275	25,058	......	......	303,222	284,556
1718	61,591	131,885	27,331	62,966	5,588	22,716	316,576	191,925	46,385	15,841	......	......	424,389	372,042
1719	54,452	125,317	19,596	56,355	6,564	27,068	332,069	164,630	50,373	19,630	......	......	463,054	393,000
1720	49,206	128,769	16,836	37,397	7,928	24,531	331,482	110,717	62,736	18,290	......	......	468,188	319,704
1721	50,483	114,524	15,681	50,754	8,037	21,548	357,812	127,376	61,858	17,703	......	......	493,871	331,905
1722	47,955	133,722	20,118	57,478	6,882	26,397	283,091	172,754	79,650	34,374	......	......	437,696	424,725
1723	59,339	176,486	27,992	53,013	8,332	15,992	287,997	123,833	78,103	42,246	......	......	461,763	411,570
1724	69,585	168,507	21,191	63,020	4,057	30,324	277,344	161,894	90,504	37,839	......	......	462,681	461,584
1725	72,021	201,768	24,976	70,650	11,981	42,209	214,730	195,884	91,942	39,182	......	......	415,650	549,693
1726	63,816	200,882	38,307	84,866	5,960	57,634	324,767	185,981	93,453	43,934	......	......	526,303	573,297
1727	75,052	187,277	31,617	67,452	12,823	31,979	421,588	192,965	96,055	23,254	......	......	637,135	502,927
1728	64,689	194,590	21,141	81,634	15,230	37,478	413,089	171,092	91,175	33,067	......	......	605,324	517,861
1729	52,512	161,102	15,833	64,760	7,434	29,799	386,174	108,931	113,329	58,366	......	......	575,282	422,958
1730	54,701	208,196	8,740	64,356	10,582	48,592	346,823	150,931	151,739	64,785	......	......	572,585	536,860
1731	49,048	183,467	20,756	66,116	12,786	44,260	408,502	171,278	159,771	71,145	......	......	650,863	536,266
1732	64,095	216,600	9,411	65,540	8,524	41,698	310,799	148,289	126,207	58,298	......	828	519,036	531,253
1733	61,983	184,570	11,626	65,417	14,776	40,565	403,198	186,177	177,845	70,466	203	1,695	669,631	548,890

1734	82,252	146,460	15,307	81,758	20,217	54,392	373,090	172,086	120,466	99,658	18	1,921	611,350	556,275
1735	72,899	189,125	14,155	80,405	21,919	48,804	394,995	220,381	145,348	117,837	3,010	12,112	652,326	668,664
1736	66,788	222,158	17,944	86,000	20,786	61,513	380,163	204,794	214,083	101,147	......	2,012	699,764	677,624
1737	63,347	223,923	16,833	125,833	15,198	56,690	492,246	211,301	187,758	58,986	......	5,701	775,382	682,434
1738	59,116	203,233	16,228	133,438	11,918	61,450	391,814	258,860	141,119	87,793	17	6,496	620,212	751,270
1739	46,604	220,378	18,459	106,070	8,134	54,452	444,654	217,200	236,192	94,445	233	3,324	754,276	695,869
1740	72,389	171,081	21,498	118,777	15,048	56,751	341,997	281,428	265,560	181,821	924	3,524	717,416	813,382
1741	60,052	198,147	21,142	140,430	17,158	91,010	577,109	248,582	236,830	224,270	......	2,553	912,291	904,992
1742	53,166	148,899	13,536	167,591	8,527	75,295	427,769	264,186	154,607	127,063	1,622	17,018	659,227	800,052
1743	63,185	172,461	15,067	134,487	9,596	79,340	557,821	328,195	235,136	111,499	2	2,291	880,807	828,273
1744	50,248	143,982	14,527	119,920	7,446	62,214	402,709	234,855	192,594	79,141	......	769	667,524	640,881
1745	38,948	140,463	14,083	54,957	10,130	54,280	399,423	197,799	91,847	86,815	......	939	554,431	535,253
1746	38,612	209,177	8,841	86,712	15,779	73,699	419,371	282,545	76,897	102,809	......	984	559,500	755,926
1747	41,771	210,640	14,992	137,984	3,832	82,404	492,619	200,088	107,500	95,529	......	24	660,715	726,669
1748	29,748	197,682	12,358	143,311	12,363	75,330	494,852	252,624	167,305	160,172	......	1,314	716,626	830,433
1749	39,999	238,286	23,413	265,773	14,944	238,637	434,618	323,600	120,499	164,085	51	5	633,524	1,230,386
1750	48,455	343,659	35,632	267,130	28,191	217,713	508,939	349,419	191,607	134,037	1,942	2,125	814,766	1,314,083
1751	63,287	305,974	42,363	248,941	23,870	190,917	460,085	347,027	245,491	138,244	355	2,065	835,451	1,233,168
1752	74,313	273,340	40,648	194,030	29,978	201,666	569,453	325,151	288,264	150,777	1,526	3,163	1,004,182	1,148,127
1753	83,395	345,523	40,553	277,864	38,527	245,644	632,575	356,776	164,634	213,009	3,057	14,128	962,741	1,452,944
1754	66,538	329,433	26,663	127,497	30,649	244,647	573,435	323,513	307,238	149,215	3,236	1,974	1,007,759	1,176,279
1755	59,533	341,796	28,055	151,071	32,336	144,456	489,668	285,157	325,525	187,887	4,437	2,630	939,554	1,112,997
1756	47,359	384,371	24,073	250,425	20,091	200,169	337,759	334,897	222,915	181,780	7,155	536	659,352	1,352,178
1757	27,556	363,404	19,168	353,311	14,190	168,426	418,881	426,687	130,889	213,949	......	2,571	610,684	1,528,348
1758	30,204	465,694	14,260	356,555	21,383	260,953	454,362	438,471	150,511	181,002	......	10,212	670,720	1,712,887
1759	25,985	527,067	21,684	630,785	22,404	498,161	357,228	459,007	206,534	215,255	6,074	15,178	639,909	2,345,453
1760	37,802	599,647	21,125	480,106	22,754	707,998	504,451	605,882	162,769	218,131	12,198	......	761,099	2,611,764
1761	46,225	334,225	48,648	289,570	39,170	204,067	455,083	545,350	253,002	254,587	5,764	24,279	847,892	1,652,078
1762	41,733	247,385	58,882	288,046	38,091	206,199	415,709	418,599	181,695	194,170	6,522	23,761	742,632	1,378,160
1763	74,815	258,854	53,998	238,560	38,228	284,152	642,294	555,391	282,366	250,132	14,469	44,908	1,106,170	1,631,997
1764	88,157	459,765	53,697	515,416	36,258	436,191	559,508	515,192	341,727	305,808	31,325	18,338	1,110,672	2,250,710
1765	145,819	451,299	54,959	382,349	25,148	363,368	505,671	383,224	385,918	334,709	34,183	29,165	1,151,698	1,944,114
1766	141,733	409,642	67,020	330,829	26,851	327,314	461,693	372,548	293,587	296,732	53,074	67,268	1,043,958	1,804,333
1767	128,207	406,081	61,422	417,957	37,641	371,830	437,926	437,628	395,027	244,093	35,856	23,334	1,096,079	1,900,923
1768	148,375	419,797	87,115	482,930	59,406	432,107	406,048	475,984	508,108	289,868	42,402	56,562	1,251,454	2,157,248
1769	129,353	207,993	73,466	74,918	26,111	199,906	361,892	488,362	387,114	306,600	82,270	58,340	1,060,206	1,336,119
1770	148,011	394,451	69,882	475,991	28,109	134,881	435,094	717,782	278,907	146,273	55,532	56,193	1,015,535	1,925,571
1771	150,381	1,420,119	95,875	653,621	31,615	728,744	577,848	920,326	420,311	409,169	63,810	70,493	1,339,840	4,202,472
1772	126,265	824,830	82,707	343,970	29,133	507,909	528,404	793,910	425,923	449,610	66,083	92,406	1,258,515	3,012,635
1773	124,624	527,055	76,246	289,214	36,652	426,448	589,803	328,904	456,513	344,859	85,391	62,932	1,369,229	1,979,412
1774	112,248	562,476	80,008	437,937	69,611	625,652	612,030	528,738	432,302	378,116	67,647	57,518	1,373,846	2,590,437
1775	116,588	71,625	187,018	1,228	175,962	1,366	758,356	1,921	579,349	6,245	103,477	113,777	1,920,750	196,162
1776	762	55,050	2,318	......	1,421	365	73,226	......	13,668	......	12,569	......	103,964	55,415

[1]These figures, except the totals, are from Hazard, *United States Commercial and Statistical Register*, I, 4-5.

CHAPTER VII.

PERIOD OF THE REVOLUTION AND CONFEDERATION, 1775–1789.

Indirect trade with Great Britain during the Revolution, 122. The effects of the war upon American trade, 123. Effect upon American shipping and ship-building, 123. Reasons why trade was chiefly with Great Britain after the Revolution, 125. Conditions affecting American commerce from 1783 to 1789, 127. British regulations affecting American commerce, 1783–1795, 128. Changes in destination and routes of American foreign trade, 130.

Both the non-intercourse agreements of the colonies that preceded the Revolution and the war itself necessarily restricted the over-sea commerce of America, because the trade of the colonies was mainly with Great Britain; but the interruption to trade was not especially serious after the first three years of the war. After 1778 foreign goods of great variety and of relatively large quantities were obtained by resort to privateering, and, fortunately for the American people, it was possible to continue to engage in foreign trade by sending traffic via roundabout routes to ports whereby the commodities exchanged became neutralized.

Macpherson states in his *Annals of Commerce* (Vol. III, 591) that a marked effect of the war was a great reduction of the direct trade between the thirteen colonies and Great Britain, and the growth of a large indirect trade, carried on through numerous circuitous channels. "The British, Danish, and Dutch islands in the West Indies were filled with British manufactures which were exchanged for American provisions, lumber, tobacco, and other products to the great emolument of the dealers on both sides." The statistics of exports at the ports of Great Britain indicated a large increase in the value of commodities sent to Nova Scotia during the period of the war, and it is probably safe to assume that many of these articles sent to Nova Scotians were subsequently smuggled into the United States. Moreover, for considerable periods of time during the war, New York, Carolina, and Georgia were under British control, and while such was the case, British merchant ships might enter from Great Britain and clear for that country.

The restoration of peace and the achievement of American independence changed the status of the foreign commerce of the United States. Before the war the greater share of the trade was with Great Britain, which, by the Treaty of Paris in 1783, became a foreign country. While the British Acts of Trade had hampered American commerce, they had also given British colonies many favors which foreign nations did not enjoy in trading with England and Scotland. When the United States became a foreign country most, although happily not all, of the special commercial privileges which Great Britain had previously granted were withdrawn.

The development of American trade during the years immediately following the Revolution was hindered by the political conditions

existing in the United States under the Articles of Confederation. The central government had no power to regulate commerce among the States, nor to provide an adequate revenue, nor to establish a sound monetary system. Our relations with foreign countries were no better, for though the central government could make treaties with foreign countries, it had no power to compel the States to live up to the treaties thus made. The country with which we had most of our commerce refused to treat with the United States, and our international treaties afforded but little assistance to the development of our foreign commerce prior to the establishment of the National Government under the Constitution.

The Revolution in America was fought to secure commercial and industrial freedom through the establishment of political liberty. The Revolution was caused primarily by the mercantile policy by means of which Great Britain sought to monopolize the trade of her colonies for the benefit of the people of the home country; and the occasion of the war was the vigorous measures taken by the British Parliament after 1763 to enforce the Acts of Trade with a view to making the colonial commerce the source of revenue to be applied towards supporting the administration of the British Government in the colonies. The immediate occasion of the break between England and America was the contest over the policy of making colonial commerce a source of revenue. While the American colonies disliked the policy of trade monopolization and sought when possible to evade the Acts of Trade, they did not seriously question the merit and justice of the general commercial policy of Great Britain. The Americans, however, or at least a majority of them, did object to having the trade of the colonies taxed by the British Parliament. The Revolutionary War was fought to secure freedom of trade and to obtain home rule in the levying of taxes for the support of the government.

EFFECTS OF THE WAR UPON TRADE, SHIPPING AND SHIP-BUILDING.

The over-sea trade of the American colonies at the outbreak of the Revolution and the effects of the war upon that trade, for reasons that were stated in Chapter VI, can not be measured with strict exactness. For six years ending in 1774, the annual average value of the exports from the United Kingdom to the thirteen American colonies, according to official British statistics, was £2,732,036. The annual value of the exports for the six years ending in 1789 was £2,333,643, the annual average for the latter six years being £398,393 less. During the six years ending in 1774 the average annual value of the imports into Great Britain from the thirteen American colonies was £1,752,142; while for the six years ending in 1789, the annual average was £908,636. The average for the latter six years being £843,506 less per year than for the previous period, it would seem that the British market for

American goods during the six years following the Revolution was only about a little over one-half what it had been during the six years before the Revolution. Most of this large decrease in the exports of the United States to Great Britain can be accounted for by the smaller quantity of rice and tobacco exported. Before the Revolution the colonies had a monopoly of the British market, American tobacco supplied the British trade, and was distributed from London to many parts of Europe. Indeed, four-fifths of the tobacco sent from the colonies to Great Britain was reexported to other countries. During and after the war, however, tobacco from other sections of the world was admitted to the British trade and largely supplanted the American article. Moreover, it is to be borne in mind that the Revolutionary War compelled the temporary shifting of much of the over-sea trade of the colonies from Great Britain to the Continent, and that it took British merchants a few years subsequent to the war to regain the commerce that had been diverted from them. During the six years between the close of the war and the establishing of the government under the Constitution, Great Britain recovered the trade that had been lost. For reasons cited in this chapter, the American foreign trade continued to be mainly with Great Britain.

As regards the proximate effects of the Revolution upon American shipping, it is certain that the seven years of warfare must have been injurious to all classes of shipping that engaged in the trade of the United States with Great Britain, that between the United States and the West Indies, and that employed in the general carrying trade of the commerce of the world. British shipping increased during the war, while American tonnage fell off largely; but in view of the fact that all ships, whether built in America or in Great Britain, were under the British flag before the Revolution, it is difficult to determine just what effect the separation of the colonies from the mother country had upon the shipping employed in the trade between the United States and Great Britain, although it can not be doubted that the shipping engaged in the trade between America and Great Britain must have become mainly British as the result of the Revolution. This would naturally be so, because of the fact that the larger share of the tonnage engaged in that trade before the war was owned and operated by British merchants. American shipowners and traders, however, suffered chiefly from the closing of the West India ports to American vessels by the Treaty of Paris in 1783. The greater part of this large and profitable shipping was changed from American to British by Great Britain's policy of enforcing the Acts of Trade against American shipping.

Some indication of the effect of the Revolutionary War upon the American shipping interests in general may be gathered from the statistics of the shipping employed in the commerce of Great Britain before and after the Revolution. Before the Revolution the commerce

of Great Britain as a whole employed 7,694 vessels; of which, 2,342 were built in America, 4,092 were of British build, and 1,260 were constructed in foreign countries. At the close of the war the commerce of Great Britain employed 7,580 vessels; of which, only 1,126 were of American build, 3,562 were of British construction, and 2,892 were secured from foreign countries. The immediate effect of the war was not to increase the British-built ships in the merchant marine of Great Britain, but to substitute foreign-built vessels for those constructed in America. Champion is authority for the statement that the tonnage employed in the commerce of Great Britain as a whole amounted to 1,300,000 tons. He estimates that the tonnage of ships built in America was in the ratio to the tonnage of those built in Great Britain as 23 to 40 before the war, and of 11 to 35 after the war. Otherwise stated, more than one-third of the British merchant marine consisted of American-built vessels before the war, and the relation after the war was that less than one-fourth of the total was of American construction.

Before the Revolutionary War ship-building was carried on much more economically in America than in Great Britain. As Lord Sheffield states: "The Americans were, before the Revolution, rapidly increasing in the carrying trade, and, considering our situation and circumstances, we had comparatively little of it." After the Revolution, however, British shipping was steadily supplanting the American vessels in the world's general carrying trade. The war had reduced the tonnage in American ships; it had restricted their use in the trade of Great Britain and in the commerce between the United States and that country, and had closed the entire British West Indies to shipping owned in the United States.

REASONS WHY TRADE WAS CHIEFLY WITH GREAT BRITAIN AFTER THE REVOLUTION.

Although the people of America fought the war for political liberty in order that they might thereby secure freedom from British restraints upon American commerce, independence did not permanently divert the foreign trade of the United States to non-British countries. By the Treaty of Paris, Great Britain became to the United States a foreign country whose policy, like that of all nations, was to favor its own ship-owners and merchants, but the commerce of the United States tended to be carried on increasingly with Great Britain instead of the Continent. It was supposed by the people of the United States that, when they were free from the restraints of British trade monopoly, they would rapidly develop commerce with other European countries. This, for several reasons, did not happen:

In the first place, the fact that the colonial trade had been mainly with the mother country tended to cause the commerce of the United States to remain with Great Britain. American and British traders

knew their markets and were disposed to continue to trade in the commodities and in the markets with which they were familiar.

Another reason that tended to produce the same result was that American commerce, not only in colonial times but after the Revolution, was carried on very largely by the aid of British capital. There was a scarcity of capital in America, and merchants in the United States traded with British merchants whose supply of capital enabled them to extend the necessary credit to American traders after, as well as before, 1783.

Moreover, the foreign trade of America continued to be mainly with Great Britain after the war of independence, because British traders understood American business conditions much better than French, Dutch, and Spanish traders did. The people of Great Britain knew what goods were wanted in America. The common language of the two peoples and their common blood contributed to the development of their commerce with each other.

Again, Great Britain was developing in industry more rapidly than was the continent of Europe, and hence was not only a better market for exported foods but was also able better to supply America with the manufactures which the people of the United States required. When the British monopoly of American trade was terminated by the Revolution and the staple articles of export from America were no longer "enumerated," but were free to go to any market in the world, there proved to be little demand for the articles outside of Great Britain, where they had previously been sold.

Another contributory cause of the permanence of Great Britain in the American trade was that in France, the most natural rival of Great Britain in the American trade, the political situation prevented the growth of a large foreign trade.

Lord Sheffield gives another reason why the Americans failed to develop a large trade in Europe outside of Great Britain. The Americans, he states, "have so few articles to send to Sweden or indeed to any part of the North, that all the articles for the Baltic may be imported through Great Britain to greater advantage than directly from those countries if a drawback should be allowed on such articles." In other words, Great Britain was naturally the emporium and distributing-point for the trade of America with Europe. It was so at that time; it has remained so to a large extent ever since.

One other reason that may be noted as in part accounting for the control of American trade by Great Britain after the Revolution was that many, if not most, of the staple articles of manufactures desired by American buyers were made better in Great Britain and sold more cheaply there than in continental Europe. As an illustration of this, Lord Sheffield cites the fact that "when France granted a sum of money to Congress for clothing the American troops, Mr. Laurens, Jr., was

employed to provide it; but instead of laying out the money in France he went to Holland and bought English cloths and sent them to America."

The period intervening between the close of the Revolution and the establishment of the National Government under the Constitution has, until recently, been pictured as an especially depressed period of American industry and commerce. The necessitous economic conditions were considered to have been due mainly to political causes, to remove which the Constitution was framed and put into operation. It is true that for a part of the period the economic conditions were unfavorable and that the causes were partly political. In general, it may be said that the Revolution was followed by a brief period of over-trading which led in 1785 to a business depression that by 1789 had given way to prosperity.

The interference of the Revolution with the foreign commerce of America was greatest during the first three years of the war. When the war broke out, colonial warehouses, for the most part, contained few foreign goods, because of the agreements which the colonists had made during the pre-revolutionary controversy not to purchase British goods. Although commerce with England was prohibited both by Great Britain and by the American States, trade was carried on indirectly, and goods were secured by capturing British merchant vessels to such an extent that, from 1778 to the end of the Revolution, foreign goods could be obtained in most American markets. All kinds of manufactured goods that had been imported from abroad prior to the war were scarce from 1775 to 1778 and prices were correspondingly high, but from 1778 on there was an increasing volume of imports, and American manufactures developed rapidly.

During the latter half of the seven years of the revolutionary struggle the people of the United States were fairly prosperous. Indeed, Channing[1] says: "The thirteen States . . . achieved their independence by preserving their economic well-being, while the contest with the sea-trading nations of continental Europe had sapped England's strength for the moment."

CONDITIONS AFFECTING AMERICAN COMMERCE FROM 1783 TO 1789.

Industry and commerce were hampered by the absence of a good monetary system. The paper currency issued by the Continental Congress rapidly depreciated in value after the first year, and, had it not been for the fact that local trade was mainly barter or the exchange of farm products at the stores for manufactures, the degree of prosperity that prevailed during the latter part of the war period would not have been possible. The most serious hindrance to commerce and industry was the lack of land-transportation facilities. Food

[1] *History of the United States*, III, 388.

might be plentiful in one section and scarce in a neighboring section. The serious effect of there being no good roads was particularly felt by the army, which suffered from the lack of clothing, food, and other supplies when the articles needed were abundant in parts of the country not distant from the army. Of course, the poor provisioning of the continental army was in part due to the bad currency system and to the poverty of the Government, but the chief difficulty was the lack of transportation.

At the time of the close of the war, agriculture was being carried on in most parts of the country under practically normal conditions. Difficulties were encountered and risks were incurred in exporting agricultural products, but this handicap upon agriculture was partly offset by the excellent market furnished by the British and French armies, who paid gold and silver for the commodities they purchased. According to Channing,[1] "at the end of the war people were living in unwonted ease" as the result of the prosperity in agriculture and the increase in foreign commerce during the latter half of the war.

It was natural that trade should have been exceptionally active during the two years following the war. Foreign manufacturers and merchants eagerly pushed their sales in America as soon as peace was restored. American manufacturers, who had built up their industries during the war period, expected larger sales both at home and abroad, but they soon realized that their foreign trade was subject to greater restrictions than had prevailed prior to and during the war, and they also found it impossible to hold the domestic markets for the manufactured goods that competed with imported articles. Imports entered the country in enlarged volume, buyers purchased freely, consumption expanded, and credit was unduly extended. Reaction and liquidation soon followed and business depression prevailed during 1785. From 1786 to 1789, business gradually recovered; domestic industry and foreign commerce revived, and, by the summer of 1789, the maritime trade, as measured by the statistics of vessel entries, had become as large as it ever had been.[2]

Although after the Peace of Paris the American merchants found themselves to be foreign traders in British ports and that France and Spain no longer granted American commerce the special favors that had been accorded while the war was being waged against their commercial rival (Great Britain), some helpful privileges were still enjoyed except in the British West Indies. The principal foreign market was in Great Britain, where some goods from America received certain concessions, though not all that the new American nation hoped to receive; yet American commerce had a somewhat more favorable place in British markets than was enjoyed by the commerce of other countries.

[1] *History of the United States*, III, 397, 403. [2] *Ibid.*, 414.

BRITISH REGULATIONS AFFECTING AMERICAN COMMERCE, 1783–1795.

An analysis of the British regulations affecting American commerce, as they prevailed from 1783 until they were changed by Jay's treaty in 1795, will indicate the conditions under which American commerce was carried on with Great Britain and the British possessions during the years succeeding 1783. The British government refused to make a commercial treaty with the United States and adopted the plan of regulating the trade with the United States by proclamations issued from time to time by the Privy Council. The first of these proclamations was made in 1783, when it was stipulated:

(1) That goods from the United States might be imported into Great Britain in American or British ships, *i. e.*, the United States was in this regard placed upon the same footing as were European nations.

(2) Unmanufactured goods, except fish-oil, whale-fins, blubber, spermaceti, and also pig iron, bar iron, tar, pitch, turpentine, rosin, pot ashes, pearl ashes, indigo, masts, yards, and bowsprits produced in the United States might enter Great Britain by paying the same duties as were levied on such goods from British possessions in America. Fish-oil, blubber, whale-fins, and spermaceti paid the same duty when the articles were imported from the United States as was paid when the commodities came from other non-British countries. All woods except masts, yards, and bowsprits entered Great Britain free from the United States, whereas they paid small duties when imported from Europe. It will thus be seen that in certain minor particulars the American exports to Great Britain were then given greater privileges than were accorded commodities exported by the countries of continental Europe.

(3) Goods imported into Great Britain from the United States in American vessels did not have to pay the "alien," *i. e.*, additional, duty imposed upon goods brought in the vessels of other non-British countries.

(4) The trade between the United States and the British West Indies was restricted entirely to British shipping. Naturally, this regulation, which imposed a most severe restriction upon American commerce as well as upon American shipping, was strongly resented by the people of the United States. The restriction, however, was founded upon the long-established laws of Great Britain that since the middle of the seventeenth century had forbidden any goods to be exported from or imported into the British possessions in Asia, Africa, or America unless carried in British ships, manned by British seamen.

This policy of keeping the British West Indies closed to all but British shipping was not abandoned by Great Britain until 1828. Jay's treaty as negotiated provided for the admission of American vessels of 70 tons burden or less, but that provision was rejected by the American Congress. Viewed from the standpoint of Great Britain,

it is hard to see why the trade of the British West Indies should have been opened in 1783 to American shipping. The chief interest Great Britain had in the American colonies was that they would strengthen the mercantile and naval power of Great Britain. By achieving their independence the American colonies had reduced the power of Great Britain upon the seas. There were strong reasons why Great Britain should endeavor to increase her naval and mercantile strength.

There was no doubt that the opening of the West Indies would result in the practical exclusion of British shipping from the large trade between the United States and the British West Indies. The traffic would certainly have been handled mainly in American ships sailing back and forth between the United States and the islands, or sailing from America to the West Indies and from the West Indies to Europe and from thence to the United States. On the other hand, by confining the trade between America and the West Indies to British ships, vessels could load out from Great Britain to America with British exports which would make at least part cargoes; could then secure full cargoes in American ports, at profitable freight rates to the West Indies, where a large volume of export traffic to Great Britain could be secured. Freight rates were low from Great Britain to the United States, but were high to the West Indies from Europe. There is no doubt that the monopolization of the trade of the British West Indies by British shipping strengthened the British marine and put it in better shape for the struggle which followed at the close of the century in the great wars with France.

Much has been written concerning the evasions of the British prohibitions of the trade with the British West Indies in ships under American registry. It was possible for American merchants to use American ships to a considerable extent by resorting to fraudulent registration papers and by trading by way of non-British West Indian ports; but in spite of these evasions, the trade with the West Indies did not increase during the period between the Peace of Paris and the establishment of the National Government under the Constitution. Great Britain and other European countries succeeded in diverting to their own ships much of the commerce that, without restrictions, would have been handled in American ships by merchants in the United States. The development of American trade during the five years ending with 1789 was due not to the growth of the West Indian trade, but to the reestablishment of the commerce with Great Britain, and to the building up of a new trade with the Mediterranean and with the Far East.

Important changes were made in the destination and routes of the American foreign trade during the half decade that preceded the establishment of the National Government. Prior to the revolutionary era, there had been a large triangular trade via Spain, Africa, and the

West Indies. The people of the West Indies secured a large share of their slaves and also some of their imports from Spain in American ships. Exports were sent from America to Spain and Africa to be traded for commodities and slaves for sale in the West Indies in exchange for sugar, rum, molasses, and other articles required in the markets of continental America. When the United States became an independent country, this triangular trade tended to decline; the loss, however, was made good by the development of trade with Russia via the Baltic and with countries of the Far East. Although the trade with these two sections was only in its infancy in 1789, it had been well established. The commerce with the Far East subsequently became an important source of wealth to American traders, such as Derby of Salem, Peabody and Cabot of Boston, and Girard of Philadelphia. Important as was the West Indian trade to the United States, the loss of commerce due to the closing of the British West Indies to American ships was offset by the opening up of the commerce with Russia and the Far East. The main outlet for American products and the chief source of imported manufactures was Great Britain. It was the large trade with Great Britain, and, by way of Great Britain, with the other European countries, that enabled American merchants so to develop American commerce that, by 1789, it had reached the proportions it had attained before the Revolution.

CHAPTER VIII.

AMERICAN COMMERCIAL POLICY, 1776 TO 1789.

Within a short time after the declaration of independence the several colonies established State governments, and in 1781 the States united under the Articles of Confederation. The union thus formed was a loose one, each State retaining almost complete sovereignty, and reserving to itself the authority to legislate on finance, commerce, and other questions of common concern to all the States—matters that ought to have been intrusted to the general government.

American commercial policy during the thirteen years preceding the inauguration of President Washington was determined by the States, and is embodied in their laws instead of in the legislation enacted by the Federal Government. In order to secure the revenues indispensable to the maintenance and continuance of the Federal Government the Federal Congress sought in vain to obtain the consent of the States to the national levying of duties on imports; consequently the history of the commercial policy of the federation is a short chapter of unsuccessful efforts to get the power to do what was denied it by the States.

The period from 1776 to 1789 includes two distinct parts—the wartime to 1782 and the years of transition from federation to nationality. The legislation of the States during the war differed greatly from that of the six years intervening between the achievement of independence and the realization of efficient national existence under the Constitution. While the war was in progress commercial intercourse with Great Britain was prohibited both by the States and by Great Britain, and embargoes were laid by the States to prevent the exportation of certain commodities to any country. Trade with countries other than Great Britain was permissible as regards most commodities, but was reduced to small proportions by the vigilance of the powerful British navy. The States did not impose duties on imports from 1776 to 1782, but at the close of the war the levies were laid, at first for revenue only, but later for the two-fold purpose of affording protection to domestic industries and trade, and securing the necessary public funds. The promotion of American shipping was another important aim of the State laws.

COMMERCIAL LEGISLATION DURING THE REVOLUTION.

Before the war started, the non-importation agreements of the colonists had severely checked the trade with Great Britain. The opening of hostilities put an end to all commerce with British countries, except such clandestine trading as was possible, which must have been of small volume. This meant the suspension of nearly all of the over-sea trade of the States, because colonial commerce, as the result of the economic factors by which it was mainly controlled and of the British Acts of Trade by which it was regulated, had been confined chiefly to Great Britain and the British West Indies.

Little headway could be made during the Revolution in developing a trade between America and non-British countries. The danger of capture by the British navy would have prevented most merchants from risking their property on the high seas; but there were other serious obstacles to trade. The prosecution of the war and the cessation of the trade with British countries combined to reduce the purchasing power of the people of America, and the volume of imports must necessarily have been small had there been no liability of their being seized in transit across the sea.

Exports from the States were hampered during the war. The demand for home products was increased, because most of the supplies that had been secured in the mother country were no longer to be had by importation. Indeed, the domestic supply of foods and other necessities became so limited, as the war proceeded, that many colonies placed embargoes upon the exportation of various commodities.

The earlier embargoes were in most instances laid upon foodstuffs, the purpose of raising these bars to trade and those that were raised at a later date being both to protect the home supply and to prevent the enemy or outside rivals from obtaining the commodities. The sentiment in favor of these embargoes was general, Congress having requested their imposition by the States; but the strict enforcement of the laws prohibiting exports was difficult, especially in New England, where such a large portion of the people lived by trade. The usual policy was to permit small quantities of foodstuffs to be exported for particular purposes, the governor or some other designated official being authorized by law to grant temporary licenses to individual exporters. There were doubtless some evasions of the laws.

After 1777, embargoes were placed on various commodities other than foodstuffs, and the prohibitions applied, not only to the export to foreign countries of the articles specified, but also to their sale in neighboring States, each commonwealth being concerned to prevent a scarcity of the foods or materials its population might require. When the war ended, all the embargoes were terminated, and with the exception of occasional and unimportant prohibitions upon the export of particular articles, the States did not again raise the bars against the outflow of American wares.

IMPORT DUTIES.

The policy of the States in regard to duties on imports during the period from 1776 to 1789 passed through three phases:

Import duties were not levied during war. Virginia was the only exception to this, as she was the only State that did not cease to lay and collect the duties.

After hostilities ceased, *i. e.*, between 1781 and 1784, the States, with the exception of New Jersey, placed duties on imports, but for revenue only and not for protection.

By 1785, economic conditions had developed in the United States that caused the New England and most of the Middle States to adopt the principle of moderate protection to domestic industries, and to change their tariff laws accordingly. The Southern States, not having industries that suffered from foreign competition, and being large purchasers of foreign manufactures, did not, with the possible exception of Virginia, change their tariffs so as to make them protective.

(1) While engaged in the war with Great Britain, there was small reason why the States should, and some reasons why the States should not, place duties on imported goods. They could not trade with British countries and they had but little commerce with countries not under the British flag. Nor could they expect, at least during the progress of the war, to develop much trade with any foreign country. The States might well have omitted to levy imposts, merely because it was useless to do so; but it is doubtful whether the States whose formation resulted from the declaration of independence would have been disposed to reestablish, of their own accord, any of the restrictions by which their trade and industry had been restrained by Great Britain. The sentiment of the States at the close of their struggle for independence was for full freedom of trade. The heroic contest in which the States had engaged had been waged to secure economic freedom, and for that reason the doctrines of economic liberty, as expounded by the French economists, and especially by Adam Smith, must have had a strong influence upon the thought of Americans. We know, indeed, that some of the political leaders—Franklin, Jefferson, John Adams, and others—were earnest advocates of Adam Smith's views. The public men of America were, however, not of the doctrinaire type, and when the economic interests of the States seemed to require tariff duties and protection to domestic industries, they did not hesitate to adopt such political measures as the situation demanded.

The only State that maintained import duties throughout the five years of active warfare (1776–1781) was Virginia, which secured a part of her revenues from imposts upon liquors. Virginia was better able than most States to obtain a revenue by taxing commerce, because the exportation of tobacco was not altogether stopped by the war,

and the continuance of an export trade made possible the maintenance of an import traffic in liquors and other commodities. Maryland was without import duties only during 1778 and 1779.

(2) A period of "tariffs for revenue only" began with the restoration of impost duties toward the end of, and shortly after, the Revolution, and lasted until 1785 or 1786, when the majority of the States revised and raised the duties for the purpose not only of securing more revenue, but also to afford protection to domestic industry and trade and to aid American shipping.

There was a pronounced revival in trade, particularly in foreign commerce, at the close of the Revolution. As always happens immediately or soon after a war which has compelled many forms of business to suspend for some years, men were more than usually active and hopeful in trade and industry. All desired to regain lost ground, make up for lost time in production, or by pushing trade and extending credit to dispose of the stock of goods that had accumulated during the war. At such times the consumer who has practiced enforced abstinence for a long time is an eager buyer and is often more optimistic as to the payment of his bills than his financial means justify.

The American States afforded a good market in 1783 and 1784, and one that the British merchants were eager to enter. The market was good, not only for the psychological reason just cited, but also from the fact that there was then a relatively large supply of coin in America. This stock of the precious metals had accumulated in the United States as a result of the shipments of coin made by Great Britain and France to maintain their armies and fleets. As the Americans could buy but little abroad, the gold and silver remained in the country until the close of the war.

The supply of "hard" money meant good prices and ready buyers, and stimulated the flow of British goods into America. Moreover, British producers and merchants had large stocks of goods on hand as the result of the interruption of trade for several years, and overselling readily followed. The purchasing power of Americans was overestimated, and credit was unduly expanded. But little time was required for the real condition of America, economically and politically, to become manifest. The people of the United States were not strong enough industrially and financially to compete successfully with Europe. The successful development of American industries during the years of the war, when all competition with Europe was prevented by the practical cessation of trade, had deluded the people of the United States as to their real and relative economic condition. Two years of free and active trading with Europe during 1783 and 1784 were sufficient to undermine many of the industries that had grown up to supply the markets secured to them by the protection afforded by the war.

In 1785 the panic came. The monetary situation was deplorable, not only because the coin had been exported to pay for imported goods,

but also from the fact that the Confederation had no authority to coin money and to establish a uniform system of currency. Each State still had the power to issue money, and many of them unwisely sought to relieve the situation of 1785 and 1786 by putting out paper money. The industries suffered severely from the falling prices (in coin) and the loss of the markets that were now more than adequately supplied as regards many articles by the importations from Europe, mainly from England. American merchants had become embarrassed and were unable to pay for the goods they had bought on credit. The situation of both producers and traders in the United States was made much worse by the closing of the British West Indies to American shipping.

The industrial depression and the financial crisis combined to reduce the revenues of the States at a time when their fiscal needs were rapidly growing. The war left them with heavy debts and large interest charges, and there was a natural increase in the ordinary expenses of government as the States took up the administrative problems with which they were confronted in the organization and development of their new institutions. Political needs as well as economic troubles led to an increase in the import duties in or about 1785.

(3) The period of State imposts for both revenue and protection covered, in general, the four years 1785 to 1789. The aid afforded by the laws of those States that adopted the principle of a protective tariff was intended to assist industry, trade, and domestic shipping. The colonies south of Virginia adhered to the policy of import duties for revenue only; New Jersey levied practically no imposts; the other States changed their tariffs so as to afford incidental protection.

The general features of the impost legislation adopted in the closing years of the war and the nature of the changes made in those laws in 1785 and 1786 may be briefly illustrated by reference to Massachusetts and Pennsylvania.

When Massachusetts reluctantly returned to the imposition of import duties in 1782, the law provided that it should continue in force only six months after the restoration of peace, because, as the statute stated, "all restrictions upon trade have been found to be highly injurious to those countries which derive a great part of their wealth and strength from commerce." By this law there were but a few articles upon which specific duties were laid—wine, tobacco, tea, sugar, iron, and coaches being the principal ones. Upon six commodities an ad valorem rate of 5 per cent was placed. Upon all other imports the duty was 2.5 per cent. As this law did not seem to injure trade, it was continued in 1783 with a slight lowering of the specific duties. The act of 1784 shows a change in policy. The ad valorem rates on several articles—paper, candles, soap, linseed oil, leather, beef, and pork—were made 7.5 per cent, and the duty on coaches, carriages, harness, saddles,

boots, shoes, and plated ware were fixed at 12.5 per cent. The articles upon which the rates were raised were among the commodities produced at home, and the act of 1784 was intended to afford some measure of protection against Great Britain. The act of the following year gave still more prominence to protection by increasing the specific duties, and by making the ad valorem rate on some articles as high as 25 per cent. The preamble of the act indicated its purpose: "Whereas, it is highly necessary for the welfare and happiness of all States, and more especially such as are republican, to encourage agriculture, the improvement of raw materials and manufactures, a spirit of industry, frugality and economy, and at the same time to discourage luxury and extravagance of every kind: Be it enacted," etc. However, the protection afforded by this measure was not deemed adequate, and in 1786 the State adopted the plan of prohibiting any importation whatever of 58 articles, among which were included certain articles of luxury, for which in the opinion of the legislators it was unwise for the people of Massachusetts to spend good money, and all the important products manufactured in the State. Thus during the four years intervening between 1782 and 1786, Massachusetts reversed her position on the question of protecting home industries. The acts of 1785 and 1786 were clearly the result of the financial and industrial difficulties of those years.

The revenue and tariff law enacted by Pennsylvania in 1785 has received much attention, because it was the model followed by Congress in framing the first federal tariff legislation—the act of July 4, 1789. The act of 1785 was preceded by certain revenue measures. In 1780, low specific duties were placed upon distilled liquors, wines, sugar, molasses, and tea, and an ad valorem tax of 1 per cent on all other imports. Two years later these duties were somewhat increased in order to obtain funds to provide defenses for the Delaware; but, when peace was restored in 1783, the merchants of Philadelphia secured the repeal of the additional duties imposed for construction of forts, because, as they alleged, the imposts were a handicap upon trade. The State, however, was soon obliged to raise the rates to obtain revenue to pay the interest on its debt. In 1784, the duties were increased for revenue purposes; then the following year the industrial as contrasted with the commercial interests brought about the passage of the celebrated act "to encourage and protect the manufactures of this State by laying additional duties on certain manufactures which interfere with them." The industrial situation which brought about the passage of the law is clearly described in the preamble to the act:

"Whereas, although the fabrics and manufactures of Europe, and other foreign parts, imported into this country in times of peace, may be afforded at cheaper rates than they can be made here, yet good policy and a regard to the wellbeing of divers useful and industrious citizens, who are employed in the

making of like goods, in this State, demand of us that moderate duties be laid on certain fabrics and manufactures imported, which do most interfere with, and which (if no relief be given) will undermine and destroy the useful manufactures of the like kind in this country."

Many articles, among them carriages, clocks, scythes, beer and ale, soap and candles, boots and shoes, and cordage, were subjected to specific imposts; an ad valorem rate of 10 per cent was placed upon other manufactures; and special protection was afforded to the manufacturers of refined iron, to ship-builders, and to carpenters. With the exception of minor modifications in 1786 and 1787 this law remained in force until the National Government was established under the Constitution, the most important amendment being made in 1787, when a reduction of 5 per cent from the import duties was allowed on goods imported in vessels built in Pennsylvania and at least two-thirds owned by citizens of the State.

The policy of the other States as regards import duties during the period under discussion need not be considered in detail. The New England States, New York, and Pennsylvania decided in favor of raising their import duties so as to protect domestic production and trade. New Jersey and Delaware did not levy imposts either for revenue or for protection. Of the Southern States, Virginia was the only one that adopted the policy of protection; Maryland, North Carolina, South Carolina, and Georgia adhered to the plan of tariffs for revenue only; they were chiefly interested in a large export trade and in cheap prices for imported goods; their industries were not such as could be aided by tariffs. The policy followed by Virginia was an intermediate one, less protective than that adopted by the Northern States and less strictly non-protective than the legislation enacted by her southern neighbors. The Virginia statute of 1783, while in most respects a revenue measure, included specific duties on salt, hemp, cordage, beer, ale, and snuff. In 1786, the rates on hemp and cordage were raised, and a duty was placed on cheese; and in the revision and codification of the laws the following year the policy of moderate protection was adhered to. Such leaders as Patrick Henry and James Madison, who were theoretically opposed to trade restrictions, favored the legislation of 1786 and 1787 as being necessary for the protection of Virginia's trade and industries.

The import duties levied by each State were imposed on the goods imported from other States as well as from foreign countries. This, of course, placed a handicap upon the development of American commerce. The interstate trade was not specially large at that time, it is true, and the rates of duty were highest upon the products of foreign countries, particularly of Great Britain; nevertheless, the tariff barriers tended to hinder the growth of the trade among the States, as well as to check the progress of commerce with lands beyond the sea.

The most serious result was that the rivalries and jealousies of the States, which had prevented them at the time of the adoption of the Articles of Confederation from conferring upon the Congress the power of regulating commerce, caused each State to view with alarm and to strive to limit the commercial success of every other State. Fortunately for the future of America, the political leaders of that time were large-minded enough to realize the folly and danger of continued interstate dissension and to bring about the establishment of an effective national government under the Constitution.

DISCRIMINATING DUTIES IN AID OF AMERICAN SHIPPING, TONNAGE TAXES, AND EXPORT DUTIES.

The tariff laws of nearly every State aided domestic shipping in two ways: by making the duties less on goods when imported in the ships built and owned by its own citizens, and by making the tonnage taxes less on domestic than on foreign ships. The laws containing these provisions were numerous.

The discriminating duties favoring domestic shipping were adopted not only to aid the American ship-builders and owners to hold their own in competition with foreigners, but also for the special purpose of retaliating against Great Britain for the action she took at the end of the Revolution in closing the ports of the British West Indies against American ships. On the ground that our independence had made us a foreign country, Great Britain decided to apply her Navigation Acts to the United States, just as she did to other nations not under the British flag. No other act of hers did so much as this to injure the trade of the American States, particularly those in New England; indeed, it checked the commercial progress of America for a full decade, or until the beginning of the great war between France and Great Britain, when the United States was permitted to engage in the West Indian trade and was allowed special advantages as the foremost neutral carrier on the high seas.

Another purpose of the discriminating duties imposed by one State, Pennsylvania, was the promotion of direct trading and the increase of commerce with the Far East. The effect of placing higher duties on goods when not imported directly from the place of growth or manufacture was felt chiefly by British merchants, because they were the chief competitors of American traders. This feature of the Pennsylvania act of 1785 was incorporated in the first national tariff law, and did much to build up the commerce of America with India and China.

The general character of the discriminations in duties to favor American ships is indicated by the fact that New Hampshire and New York imposed double duties on goods brought in foreign ships; that Rhode Island made the duty 7.5 per cent on goods imported in British bottoms and 2.5 per cent in other ships and followed this law by one

(1786) providing that no goods from the United States should be brought into Rhode Island in British ships; that Pennsylvania favored direct trade with the Far East, as stated above, and that Maryland made the duty 2 per cent higher on goods brought to her ports by British vessels. Virginia and North Carolina discriminated against the imports from those nations not having a commercial treaty with the United States. From this brief statement it will be seen that most, though not all, of the States adopted the policy of discriminating duties and that the policy, as would naturally be the case, was given more prominence in the Northern than among the Southern States.

Tonnage taxes require only brief discussion. They were imposed by most of the States, laws providing for levying them being enacted by Virginia and North Carolina before the close of the Revolution, and by other States shortly thereafter. These taxes were placed upon shipping for the twofold purpose of securing the funds required for such harbor expenses as the maintenance of lights and buoys, and of aiding domestic shipping by discriminations against foreign vessels. To some extent the coastwise trade was favored, most States exempting or placing low tonnage taxes upon their shipping when engaged in coastwise commerce. As illustrations of the discriminations made in the tonnage taxes, mention may be made of New Hampshire's law of 1784, which imposed treble duties on foreign ships, and of the Pennsylvania legislation of 1784, which retaliated against Great Britain for closing the West Indies by imposing a duty of 7s. 6d. per ton upon the vessels of the countries not having a commercial treaty with the United States. The States in their tonnage laws followed the same general policy as in their legislation concerning imposts, except that the tonnage taxes were more strongly protective of domestic shipping than the impost duties were of home trade and industry.

As it was the policy of all the colonies to promote rather than to hinder maritime commerce, most of them had, by the middle of the eighteenth century, ceased to levy export duties. The only colonies that maintained these taxes as a regular part of their revenue system were Maryland and Virginia, whose exports, especially tobacco, could be taxed without much danger of limiting the volume of trade. Shortly before the Revolution (1773) Georgia placed an export duty of minor importance on raw hides. These three States, Georgia, Virginia, and Maryland, were the only ones that imposed duties on exports after the Revolution. Georgia continued the tax on raw hides; Virginia placed the duty only on tobacco; while Maryland levied export duties, not continuously, but most of the time, upon tobacco, pig-iron, wheat, and flour.

While the chief reason for levying a tax on exports was to secure revenue, fiscal aims were not the only ones sought. Maryland made reductions in the duties on goods exported in vessels owned and oper-

ated by her own inhabitants; and Virginia, in order to carry out the provisions of the treaty of 1778 between the United States and France, exempted from duties the tobacco exported to the French West Indies.

Congress is now prohibited by the Constitution from taxing exports. The States decided against giving the National Government the power to tax both exports and imports. The reason for this decision, however, was not so much a theoretical opposition to export duties as it was the fear on the part of the States having a large export trade that the Congress might tax their commerce relatively more than it did the trade of the other States. The five Southern States, with the support of Massachusetts and Connecticut, secured the adoption by the constitutional convention of the provision against taxes on exports.

PRODUCTION BOUNTIES AND NAVIGATION LAWS.

Burdened, as they were, with heavy war debts, crippled by the absence of a unified and sound monetary system, and handicapped soon after the war by the serious business depression of 1785, the States would not have been financially able, had they been disposed, to grant bounties to much extent in aid of production and trade during the years that intervened between the close of the Revolution and the establishment of the National Government. Bounties had been a rather prominent feature of the industrial and commercial policy of the colonies; and there were several States that gave bounties after the war. Connecticut gave a small bounty of a penny a pound on yarn spun at Hartford and aided the foreign trade by exempting from tonnage taxes all vessels employed for at least four months each year in commerce with Europe, Africa, or Asia; New Hampshire granted premiums and exemptions from taxation to induce men to make linseed oil, duck and sail cloth, and to erect slitting mills and nail and sailcloth factories; Rhode Island paid bounties to growers of wool and hemp "to encourage the growth of all raw materials, more especially those that supply clothing to the inhabitants, and duck or cordage for carrying on commerce;" New York gave liberal bounties on hemp; New Jersey gave similar assistance to wool, flax, and hemp; Maryland encouraged salt production; and Georgia assisted the producers of hemp, flax, and wheat.

With but three exceptions, these post-revolution bounties were granted in or after 1785, more aid being given by the laws passed in 1788 than in those previously enacted. It is evident that the bounties were one of the means adopted in some States to aid industry and trade to recover from the effects of the business depression of 1785 and 1786.

The laws regarding pilotage, inspection of exports, port and customs administration, and legislation concerning seamen do not require special analysis. New Jersey was the only colony and State that enacted no

pilotage laws prior to 1789. The other States continued to regulate pilotage much as they had before the Revolution, making such amendments and additions to their laws as were required by the increase in trade and the growth in the size of the vessels. The majority of the States continued after the Revolution to enact laws for the inspection of their staple exports; but five of the States, New Jersey, Delaware, North Carolina, South Carolina, and Georgia, did not deem any new legislation necessary on this subject. Laws of various kinds for the benefit of seamen were passed by all but four of the States. New Hampshire and Rhode Island did not pass laws on this subject after the war, while New Jersey and North Carolina legislated neither as colonies nor as States. The laws for the administration of the customs and the regulation of the ports were necessarily detailed in all of the States, as they had been in the colonies. The theory and practice regarding the inspection of ships and the regulation of imports and exports did not change when the colonies became States.

COMMERCIAL LEGISLATION OF THE CONFEDERATION.

The Congress under the Articles of Confederation having been granted no power to regulate or tax interstate and international commerce, it could only pass resolutions requesting the States to authorize the Congress to enact specified laws. Two unsuccessful attempts were made to obtain the consent of the States to an act of Congress imposing duties on imports. A request for power to regulate foreign trade was also denied. The jealousies of the States defeated each effort.

The first request made by Congress was on February 3, 1781, when permission was asked for power to levy a duty of 5 per cent on imports and on prizes condemned in any port. The receipts from the tax were to be applied to the payment of the principal and interest of the national debt. As Congress could not act unless all of the States gave their authorization, the refusal of Rhode Island prevented action. The second attempt of Congress to obtain authority to levy imposts was made in 1783. A few commodities were to pay specific duties, the other articles 5 per cent ad valorem; the funds secured were to be used for paying the public debt. During the next three years, twelve of the States gave their consent, some with conditions attached; but the movement was finally defeated in 1786 by the refusal of New York even to consider the measure.

After the British Government, in 1783, restricted the trade of the British West Indies to British vessels, Congress sought, by resolution of April 30, 1784, to obtain permission of the States to prohibit, for fifteen years, the importation or exportation of goods at American ports, except in vessels owned by the people of the United States or by the subjects of foreign powers having treaties of commerce with the United

States. The people of foreign nations were, also, to be prohibited from importing into the United States any goods not grown or manufactured in their own country, unless authority to do this had been granted by treaty. Although the consent of nine States would have given Congress the power to pass this law, the authority was not obtained, and Congress was not permitted to attempt the regulation of commerce by legislative enactments.

The Articles of Confederation gave Congress the treaty-making power, and conventions were entered into with France, Holland, Sweden, and Prussia covering the commercial relations of the United States with those powers; but these treaties were of only slight benefit to our foreign trade, because the power to levy import and export duties and generally to regulate commerce remained with the several States. The Congress had no means of giving effect to the treaties. It was this fact, in part—there were other reasons also—that caused Great Britain to refuse to sign a commercial treaty with the United States. The foreign trade of the American States was chiefly with Great Britain and the British West Indies, and commerce suffered severely, because the government of the Confederation was unable to secure by treaty any exemption from the strict application of the British Navigation Acts to American trade with regions under the British flag. It is, however, not probable that Great Britain would have made a treaty shortly after the Revolution granting commercial concessions satisfactory to the United States, even had the latter country been governed by a strong national government in full control of international commerce. As late as 1794, Jay had great difficulty in negotiating a convention, although the treaty contained so few concessions to the United States that all Americans regarded it as a humiliating one.

GENERAL CHARACTERISTICS OF THE PERIOD.

Viewed as a whole, the thirteen years from 1776 to 1789 were an important period not only in the growth of our political institutions, but also in the evolution of commercial theories. The trade embargoes which characterized the war period were of no special significance as regards commercial policy, because it is customary for warring nations to prohibit commerce with each other and to prey upon each other's ocean trade and shipping; but the change in the opinions of the public men during the decade preceding 1789, regarding the principles that ought to prevail in the governmental regulation of commerce, affords an instructive illustration of the control of theory by economic conditions. The change also indicates the practical statesmanship of American political leaders. any more jokes?

During the Revolution and for a short time thereafter the prevailing thought of Americans was in favor of commercial freedom. Patrick Henry probably expressed the views of the majority of his compatriots

when, in the closing year of the war, he stated, in his characteristic style, while addressing the Virginia Assembly:

"Why should we fetter commerce? Fetter not commerce, sir; let her be free as the air—she will range the whole creation, and return on the wings of the four winds of heaven to bless the land with plenty."

There were, however, two strong reasons why the States found it impracticable and undesirable to let commerce be free as the air: Revenue must be had for the maintenance of the State government, for paying the interest on the State debt, and for meeting the requisitions of Congress. The easiest and surest way to obtain the necessary public funds was to place duties on imports; and such taxes were imposed by nearly all of the States during the early eighties. A second and longer step away from freedom of trade was taken by the majority of the States in 1785 and 1786 to protect their industries and trade against the overwhelming competition of Great Britain. The severe business depression of 1785 was so clearly due in large part to overtrading with Great Britain that the demand for protection was made by the New England and Middle States, the sections in which domestic industries had made most progress. The disposition of the American commonwealths to protect themselves against Great Britain was strengthened by the closing of the ports of the British West Indies to American shipping, an act that seriously crippled the trade and shipping of the Northern States.

The protection afforded by the States included both industry and trade, and was secured by import duties, bounties, and discriminating tonnage taxes. In adopting this policy America was but following the practice of Great Britain and other countries of Europe. Although it was England's application of the mercantile theory to the administration of her colonies and to the regulation of their economic development that caused the colonies to revolt, yet when they achieved their independence and undertook, as a separate country, to compete with Great Britain, they found it necessary to adopt a system of commercial and industrial regulation differing little from that followed by European countries. Political liberty brought America neither economic independence of Europe nor the ability to practice the principles of commercial freedom in advance of their adoption by the leading old-world countries.

CHAPTER IX.

THE AMERICAN FISHERIES BEFORE 1789.[1]

Previous to 1789, and, in fact, until near the middle of the nineteenth century, New England held a virtual monopoly of the American fisheries possessing any great degree of commercial importance. A history of the early development of the American fisheries is, therefore, little more than an account of the rise and growth of the fishing industries of New England, and it is to that subject that this chapter will be chiefly devoted, the early history of the fisheries in other parts of the United States being left for consideration in subsequent chapters.

That the predominance of the New England fisheries for two and a half centuries was due to other conditions than the lack of fishing resources elsewhere in America is apparent from the fact that in recent times the fisheries of the Middle Atlantic States have yielded an annual product greater in value than the products of the New England fishing industries. The explanation of the commanding position of New England during the early centuries lies in a consideration of the physical character of the land along the Atlantic coast and the economic laws governing the industrial development of a nation. The material development of a new country is invariably characterized by the early exploitation of those resources and the rise of those industries yielding the largest returns in proportion to the productive effort expended. This principle was admirably illustrated in the economic development of the American colonies. In the region south of the Hudson River, where the fertile coastal plain and the piedmont afforded an abundance of arable soil, agriculture was easily the most profitable industry. The material prosperity of that section was based primarily upon the cereals of the middle colonies, and the tobacco, rice, and indigo of the southern colonies, together with the various forest products of lumber, ashes, and naval stores; and though offshore and inshore fisheries of great value existed all along the coast, they remained practically undeveloped, as long as a large supply of cheap agricultural land was readily available. In New England, though agriculture was the most important single industry, it did not absorb the energies of the inhabitants to the extent that it did those of the people living farther south. The early

[1]This chapter was written by T. W. Van Metre.

settlers of New England found that the sea offered in many respects a more fruitful field for their labors than did the land. The somewhat barren soil yielded a return relatively meager in comparison to the rich harvests that could be gathered from the shallow ocean waters along the shore, and so the fisheries soon came to constitute one of the most important factors of the economic life of New England, and the fishing industries formed the "cornerstone" upon which the commercial prosperity of New England rested throughout the colonial period. Shipbuilding, navigation, and commerce proceeded directly from the development of the fisheries, giving to New England a greater diversification of industry than was to be found anywhere else among the American colonies.

The New England people found, extending along the coast of America, from Long Island to the Grand Bank of Newfoundland, one of the richest fishing-grounds in the world. The submerged coastal plain or continental shelf provides a large area of shallow water, which, cooled by the ocean current from the Arctic seas, makes a home for cod, mackerel, herring, halibut, and many other varieties of fish; and the deeply indented shore-line of the islands and of the mainland furnishes scores of excellent harbors where vessels may seek shelter from the storms at sea and where fishermen may cure their catch before taking it to market. In addition to being populated by a multitude of fish, the cool waters along the New England coast were frequented by whales, and before the close of the seventeenth century the whaling industry also began to be an important factor in the economic life of the New England colonists.

AMERICAN FISHERIES IN THE SIXTEENTH CENTURY.

Long before the first permanent settlement was founded in New England the fisheries of America were well established. In fact, the fisheries were among the very first of the natural resources of America to be systematically exploited by the wealth-seeking nations of Europe. The existence of the Newfoundland fisheries was probably first made known to the people of Europe by John Cabot, the Venetian navigator, who, sailing under a patent granted by Henry VII, in 1497, discovered the mainland of North America. Among the nations of the Old World where the prevailing religious belief caused the consumption of large quantities of fish, the report of the discovery of a new and rich fishing-ground was gladly received, and within a few years after Cabot's announcement the fishing-vessels of several countries began to carry home cargoes from the shores of Newfoundland. The French were first upon the ground. There are authentic records that fishing-vessels of Brittany visited Newfoundland in 1504,[1] and since then not a single year has passed in which the French flag has not been carried to the

[1]Winsor, *Narrative and Critical History of America*, IV, 4.

Newfoundland bank. By 1522, forty or fifty houses had been erected at Newfoundland by French fishermen for use during the fishing season, and at least one attempt had been made before that year to plant a permanent settlement on the island.[1] The interest stimulated by the growth of the French fishing industry led to the expeditions of Cartier in 1534 and 1535, when he explored the Gulf of St. Lawrence and voyaged up the river as far as the present site of Montreal.

Though England sent out the explorer who discovered the American fisheries, she took but a minor part in their early development. Anthonie Parkhurst, writing to Richard Hakluyt in 1578, stated that the Newfoundland fishing-fleet was made up of about 350 vessels, of which 150 were from France, 100 from Spain, 50 from Portugal and 50 from England.[2] For more than three-quarters of a century after the voyage of Cabot, while both Spain and France were being enriched by the wealth of the New World, England, though by right of discovery possessing a claim to large portions of North America, was too busily occupied with domestic difficulties to send out a single expedition to lay hold of and occupy the regions of the New World to which she was of right entitled. But during the latter half of the sixteenth century the interest of England in America revived. Dispossessed of the last vestige of their territorial holdings on the European continent and estranged from their Catholic neighbors across the channel, the British people began to direct their energies toward rearing a colonial empire which would give them the economic self-sufficiency needed to meet the conditions imposed upon them by their physical, political, and religious isolation.

A fundamental feature of the English political policy of the sixteenth century was the creation and maintenance of a strong navy, which would render the country safe from devastation by the fleets and armies of their continental enemies. To provide a "nursery for seamen" the government turned to the fisheries. Popular literature and public documents of the period show that there was a widespread movement for building up the English fisheries, which were at that time inferior to those of Holland, France, and Spain; encouragement in many forms was offered to those who would engage in the fishing industry; and the laws forbidding the eating of meat on Fridays, Saturdays, and during Lent were rigorously enforced.[3]

In 1578, Elizabeth gave a charter to Sir Humphrey Gilbert, authorizing him to discover and settle remote lands of America not possessed by a Christian monarch and "to have, hold, occupy and enjoy such lands with all commodities both by sea and by land." Gilbert made a voyage to Newfoundland in 1583 and in the name of the English government took possession of the islands and all surrounding lands

[1]Sabine, *Report on the Principal Fisheries of the American Seas*, 36.

[2]Hakluyt, *Principal Navigations*, VIII, 10.

[3]*Calendar of State Papers, Domestic, 1595–97*, p. 540. For examples of such documents cf. *English Garner* (Arber, ed.), III, 621; IV, 323.

within the distance of 200 leagues. Though Gilbert's voyage ended tragically for himself, it helped to stimulate the interest in the fishing industry, and it was followed by a rapid increase in the number of fishing-vessels sent out to Newfoundland from England, which country now claimed the right to monopolize all the fisheries within the district of which Gilbert had taken formal possession. By the close of the sixteenth century, 200 English ships were going each year to Newfoundland, furnishing employment for 10,000 men and boys on shore and aboard the vessels.[1] Sir Walter Raleigh stated before Parliament in 1593 that the Newfoundland fisheries were the "stay and support of the west counties of England."

Though the English claimed a monopoly of the Newfoundland fisheries and on several occasions emphasized their claim by the seizure and confiscation of fishing-vessels belonging to other nations, the French persisted in retaining a share of the profitable industry. The French established a permanent settlement at Port Royal (Annapolis) in 1604. Nine years later they attempted to plant another settlement on Mount Desert Island, but the colonists had scarcely disembarked before they were set upon and dispersed by an English force under Samuel Argall, the Governor of Virginia, who had come northward on a fishing voyage. This conflict marked the beginning of the century and a half of struggle between England and France for the control of the North American continent.

DEVELOPMENT OF NEW ENGLAND FISHERIES DURING THE SEVENTEENTH CENTURY.

In 1602, Bartholomew Gosnold commenced the fisheries off the shore of New England. Gosnold gave Cape Cod its name because of the large quantity of fish he captured in its vicinity, and when he returned to England he reported that the fishing-grounds along the coast he had visited were better even than those of Newfoundland. In 1603, Martin Pring, who with two small vessels was sent to the New England coast by some Bristol merchants, made a similar favorable report about the fisheries in that region. Three years later Pring made a voyage to the Maine coast for the Plymouth partners of the first Virginia Company. His favorable report concerning this voyage led to an attempt in 1607 to plant a colony on the Kennebec River, or the Sagadahoc River as it was then called, but the death of the leading promoters of the scheme caused the settlement to be abandoned before it had been in existence a year.

Though the initial attempt at the colonization of the New England coast failed, the rich fishery which the early explorers discovered was not neglected. Each year a number of English ships came to the new fishery grounds. In 1614, Captain John Smith visited the coast,

[1]Whitbourne, *Observations*, in Smith, *Works* (Arber, ed.), 777.

explored many of the bays and harbors, and gave both New England and Plymouth harbor their names. In Smith's account of his voyage, published in 1616, he states that near Monhegan Island he took 47,000 fish, which he sold for a goodly sum on his return to Europe.[1] In his *General History of Virginia*, written in 1624, Smith states "There hath been a fishing, this year upon the coast [of New England], about fifty English ships."[2] Between 1620 and 1630, a number of settlements were established in New England, virtually all of which, with the exception of the one at Plymouth, were planted primarily for the purpose of prosecuting the fishing industry. The Plymouth colony, during the early years of its existence, depended largely upon the fisheries for food, and the Pilgrims attempted to engage in the fishing industry as a business venture, but because of a lack of skill and equipment their early efforts ended in failure and loss.

The early years of the first fishing-stations in New England were marked by a bitter dispute between the Colonial and English fishermen on the one side and the Council for New England on the other over the fishing rights along the New England coast. The members of the Council to which James I granted, in 1620, that part of America lying between the fortieth and forty-eighth degrees of north latitude, claimed a monopoly of the fisheries in the waters adjacent to their grant and tried to exclude from them all persons, whether British or alien, who did not secure a license from the Council and pay a sum equal to about 83 cents a ton on all vessels engaged in fishing within the Council's territory. In 1623, the Council sent an agent to America with power to restrain vessels from fishing without a license, but the stubborn resistance offered by the fishermen against what they considered an invasion of their natural rights made the task of exacting tribute too great to be accomplished, and the agent was compelled to return and announce the total failure of his mission.[3] The Council did not again renew their efforts to secure a revenue from fishing licenses and turned their attention to selling grants of land from their American possessions. A few of the earlier patents which they sold conveyed exclusive fishing-rights, but the practice of granting such monopolies was discontinued in 1631, and with the exception of a few quarrels among the earlier patentees concerning their respective rights, the American fisheries were never again disturbed by the question of private monopolization.

The members of the Massachusetts Bay Company, who came to America in 1630, though not realizing the commercial importance which the fisheries were ultimately to have for them, were careful to send over fishermen, salt, and fishing equipment even before their own

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[1] Smith, "A Description of New England," in *Works* (Arber, ed.), 187.
[2] Smith, *Works* (Arber, ed.), 783.
[3] Sabine, *Report on the Principal Fisheries of the American Seas*, 43.

emigration. Moreover, within a year after the settlement of Boston, Governor Winthrop launched at Mystic the *Blessing of the Bay*, a vessel of 30 tons, for use in trading with the Dutch at New Amsterdam and with the other English plantations. Other vessels, both large and small, were built at the various settlements planted by the Massachusetts Bay Company, and a thriving commerce quickly arose. Though fishing was for a few years carried on only in an incidental and desultory manner, the products of the industry from the very first constituted a part of the exports from the colony. In 1633, fish were exported from Boston, and in 1634 a Maryland pinnace came to Boston to exchange a cargo of corn for fish and fur.[1]

By 1636, the people of Massachusetts began fully to realize that in the fisheries lay their chief opportunity for commercial advancement, and preparations were made to engage in the fishing industry on a larger scale. Hugh Peter, a minister of Salem, inaugurated a movement to raise capital for the purpose of establishing the fishing business on a more substantial basis. He labored with untiring zeal to induce the people of Salem to build ships and engage in trade, and to his efforts was due in no small degree the maritime importance which the city of Salem came to enjoy.[2] At the same time that Salem responded to the exhortations of the Reverend Peter, Boston, Marblehead, Gloucester, Manchester, and other ports along the Massachusetts shore also expanded their fishing industries. In 1639, for the encouragement of the infant industry, the General Court passed an act providing that all vessels and other property employed in taking, curing, and transporting fish should be exempt from all duties and public taxes for seven years, and that all fishermen, during the season of their business, as well as ship-builders, should be excused from military duty.[3] Under this and other encouraging acts of the General Court the Massachusetts fisheries prospered greatly. Governor Winthrop records that in 1641 about 300,000 dried fish were sent to market,[4] and his narrative gives further indication of the growing importance of the fish trade in the account of the return, in 1643, of the *Trial*, the first vessel built in Boston, from a voyage to Bilbao and Malaga with a cargo of wine, fruit, oil, and wool that had been purchased with the proceeds of the sale of a cargo of fish.[5] Before the middle of the century New England merchants began to send cargoes of fish to the West Indies to be traded for molasses, rum, and bills of exchange.

The most important fish of commerce was the cod, and this variety constituted by far the largest portion of the annual catch. But mackerel, hake, pollock, herring, and other fish were also caught in considerable quantities both for local consumption and for exportation. It is worthy of notice that in 1670 the Plymouth Company, whose

[1]Winthrop, *Journal* (Hosmer, ed.), I, 131. [2]*Ibid.*, 168.
[3]Shurtleff (ed.), *Records of Massachusetts Bay*, I, 257.
[4]Winthrop, *Journal* (Hosmer, ed.) II, 42. [5]*Ibid.*, II, 92.

fisheries were usually leased to individuals for a fixed annual sum, granted the profits of the mackerel, sea bass, and herring fisheries for use towards the maintenance of a free public school.[1]

Throughout New England the codfish were divided into three sorts: The first of these, the merchantable, were exported to southern Europe; the second or middling (of smaller size and poorer quality) were shipped to the Canaries, the Madeiras, and Jamaica; the third (or refuse), which consisted of the smallest and thinnest and the broken fish, were sold to the sugar planters of the West Indies to be used as food for negro slaves.[2] As early as 1652 the General Court provided for the inspection of fish. Other measures were enacted to fix the season for taking different kinds of fish, to regulate the packing and curing of fish intended for shipment to foreign markets, and to protect the people living along the coast from the depredations of fishermen who were inclined often to take timber and wood without compensating the owners.

In 1645 some merchants of Charlestown and Boston sent several vessels to the Newfoundland fisheries, but as the vessels were preparing to return with their cargoes they were seized by a ship cruising in Newfoundland waters in the interest of Charles I, who was at that time battling for his crown and was not favorably disposed toward his New England subjects, because of their sympathy with his Puritan opponents. For a number of years after this occurrence few vessels went from New England to the Newfoundland Banks, but about 1670 the need for a larger field for the rapidly growing fishing fleet of Massachusetts caused a renewal of the interest in the fisheries farther north, and from that time forward the fishing-grounds off Newfoundland were regularly visited by the New England fishermen.[3]

The enactment of the Navigation and Trade Acts of 1660 and 1663 gave an impetus to the ship-building and fishing industries of New England. The omission of New England's most important products from the list of enumerated commodities left the export trade free, and the monopolization of the carrying trade of the colonies by vessels of the empire increased the opportunities for the employment of colonial shipping. The fact that England excluded the chief exported products of New England was of benefit to the latter's shipping. Shipping interests of England did not care to make a practice of carrying cargoes to places

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[1]*Plymouth Colonial Records*, V, 108.

[2]*Documents Relating to Colonial Hist. of N. Y.*, IV, 790.

[3]Seybert, in his *Statistical Annals*, p. 333, stated that in 1675 New England sent to the Newfoundland fishing-grounds 665 vessels measuring 25,650 tons and navigated by 4.405 seamen. This statement, which has been quoted as showing a remarkable growth of the interest of New England in the Newfoundland fisheries, manifestly contains a typographical error. The date intended was 1765. Moreover, the figures, which Seybert probably took from Jefferson's report on the fisheries (*Am. State Papers, Commerce and Navigation*, I, 8), were for the entire cod fishery of New England during the ten years following 1765, and not for the Newfoundland cod fishery alone. The fishing fleet of Massachusetts in 1741 did not contain above 400 sail, and in 1675 the number was probably less than 150.

where no return cargo was available, and consequently a large part of the carrying trade between England and the northern colonies was relinquished to the New England vessels. The growth of the shipping of New England was so great that it soon rivaled that of the mother country. English shipping interests made earnest pleas to Parliament to restrict this branch of colonial industry, but fortunately this was not done.

The act of trade compelling the colonies to purchase wares of European manufacture in England worked little hardship on the trade of New England. With the exception of wines and salt, the countries of southern Europe, where a large part of New England's exports were sent, produced but little that New England needed, and the law permitted wines to be imported directly from the Azores and Madeira, while with regard to the importation of salt there were no restrictions whatever. For the purchase of the manufactured goods needed in the colonies, England supplied the leading articles and also afforded the most economical market for their acquisition. It was not until the passage of the Molasses Act in 1733 that the commerce of New England felt the heavy weight of burdensome regulation; but as this law was ignored, commercial prosperity was practically unimpeded by English legislation until the beginnings of the controversies that led directly to the struggle for independence.

The whaling industry was established in the American colonies at an early date. When Captain John Smith visited the New England coast in 1614 he came with the intention "to take Whales and make tryalls at a Myne of Gold and Copper,"[1] but he abandoned both these projects and engaged in fishing for cod off Monhegan Island instead. Richard Mather, who came to Massachusetts in 1635, told of seeing, off the New England coast, "mighty whales spewing up water in the air like the smoke of a chimney . . . . of such incredible bigness that I will never wonder that the body of Jonas could be in the belly of a whale."[2] The whaling industry started with the utilization of occasional drift whales cast ashore by the sea, but it soon passed to the second stage of pursuing in small boats the whales which appeared along the coast, killing and towing them to shore, where they were cut up and the oil and bone extracted. At Plymouth, Salem, Nantucket, at the villages on the eastern end of Long Island, and in fact at all of the localities where whaling subsequently became an important industry, with the exception of New Bedford and New London, the whale fishery was established as a regular business before the close of the seventeenth century, and whale products constituted a considerable part of the exports regularly shipped by New England merchants.

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[1]Smith, "A Description of New England," in *Works* (Arber, ed.), 187.

[2]Young, *Chronicles of the First Planters of Mass. Bay*, 465.

STRUGGLES WITH FRANCE OVER THE FISHERIES.

Early in the development of the fishing industries of New England the fishermen became involved in difficulties with their French neighbors to the northward. The rival claims of France and England to Acadia and the efforts of English and French patentees to monopolize the fisheries of that region, caused much strife and bloodshed between the French and English fishermen during the early years of the seventeenth century. By the treaty of St. Germain, Charles I relinquished to the French crown all places in Canada, Acadia, and Cape Breton occupied by English subjects,[1] but since the treaty was very unpopular in England, and since it defined no territorial lines, contentions quickly arose again. Cromwell, repudiating the treaty made by Charles I as fraudulent, took forcible possession of Acadia in 1654, established a colony, and organized a government, but after the Restoration these acts were disavowed, Acadia was again relinquished to France by the Treaty of Breda (1667),[2] and the Treaty of London in 1686 confirmed to both France and England the possessions in America held at the beginning of the hostilities of which the treaty marked the end.[3] These two treaties also failed, however, to define the territorial limits of the American possessions of the rival powers, and the fishing-grounds, which both sought to monopolize for their own subjects, continued to be the scene of collisions and quarrels. As the New England fishing industry expanded, the relations of the English colonies with the French became exceedingly hostile, and the leading citizens of New England began to clamor for the expulsion of French fishing interests from American waters. The French, on the other hand, were equally anxious to maintain the exclusive possession of the fisheries of Nova Scotia and Cape Breton. They laid claim to all the territory east of the Kennebec River, levied tribute on all foreign vessels engaged in fishing on the Acadian coast, and to discourage the visits of New England fishermen to that region they incited the Indians to attack the outlying English settlements and to murder the crews of boats frequenting the coast of Maine.

The war between England and France which followed the accession of William and Mary gave the New Englanders the eagerly desired opportunity to undertake the conquest of Nova Scotia. Sir William Phips, a native of Maine, led a successful expedition against the French colony in 1690. At the Peace of Ryswick, in 1697, it was stipulated that all territory conquered during the war should be restored, and the New England people, much to their dissatisfaction and indignation, were compelled to see France confirmed in the possession of all the coast islands and fishing-grounds from the Penobscot River to beyond Labrador, except the eastern half of Newfoundland, which

[1] *Corps Universal Diplomatique*, VI, pt. i, 31. [2] *Ibid.*, VII, pt. i, 40. [3] *Ibid.*, VII, pt. ii, 140.

was retained by England.[1] The governor of Nova Scotia received orders from King Louis to seize every American fisherman that ventured east of the Kennebec River, leaving free to American vessels only those fisheries of the eastern half of Newfoundland and those lying between the Kennebec River and Cape Cod.

In 1702 the war between France and England broke out again, and the contest for the mastery of the American fisheries was once more renewed. In 1710 Nova Scotia was again taken by combined colonial and English forces, and this time it was not given back. Peace was concluded in 1713. By the terms of the treaty, signed at Utrecht, the French were prohibited from fishing within 30 leagues of the coast of Nova Scotia from Sable Island to the southwest; and the whole of Newfoundland, together with Hudson Bay and its borders, was formally ceded to England.[2] France retained possession of Cape Breton Island, the Gulf of St. Lawrence, and the islands lying within its mouth, while at Newfoundland, French fishermen were to have the privilege of catching fish and drying them on the land on the eastern coast from Cape Bonavista to the northern part of the island and thence down the western coast as far as Point Riche. It was thought by the English interests that this would give them exclusive possession of the richest of the fisheries, including those off the coasts of Maine and Nova Scotia and in the Bay of Fundy, together with an equal chance to compete with the French in all the other fisheries. The French, however, immediately colonized Cape Breton Island and erected a strong fortress at Louisbourg. Within a short period of time their fisheries, which had declined during Queen Anne's War, were more flourishing and prosperous than ever before, much to the jealousy and dissatisfaction of all New England.

The years between the Peace of Ryswick and the Treaty of Utrecht were a period of depression for the New England fisheries, but upon the conclusion of peace in 1713 there was a general revival. The settlements on the coast of Maine were reestablished and new stations planted farther east, the ship-building industry commenced once more to thrive and expand, and the volume and range of foreign trade were increased. The renewed activity in the fisheries was soon checked by the recurrence of Indian depredations on the Maine coast and by the aggressive competition of the French. In 1725, however, a treaty was made with the Indians, and once more a period of prosperity ensued, which lasted for a score of years.

In 1731 New England employed between 5,000 and 6,000 men in the fisheries, and the annual product was estimated at 230,000 quintals of dried fish.[3] It was about this time that Marblehead took the lead as a fishing-port. Gloucester, Plymouth, Salem, and other towns of Massachusetts added each year to their fishing fleets, and the fishing

[1] Chalmers, *Treaties*, I, 332. [2] *Ibid.*, 381. [3] Anderson, *Origin of Commerce*, III, 172.

industries of New Hampshire, Maine, and the Isles of Shoals grew very rapidly. The cod fishery retained the place of chief importance, but sturgeon, mackerel, herring, salmon, and other varieties of fish constituted a considerable part of the total yearly catch. The whale fishery advanced from the stage of boat whaling to deep-sea whaling. By 1715 Nantucket had 6 sloops engaged in the deep-sea whaling and by 1730 the number had increased to 25. In 1736, a dozen vessels, some of which were of 100 tons burden, went from Provincetown to the whale fishery of Davis Straits, and at other New England whaling ports there was a similar steady expansion.[1]

In 1744, England again became involved in war with France. Filled with envy and alarm on account of the continued prosperity that had attended the French fisheries after the Treaty of Utrecht, the people of New England hailed with satisfaction the coming of the opportunity to make another attempt to expel their rivals from the field. Cape Breton Island, with its strong fortress at Louisbourg, was the key to the French position and it was the seizure of this point that the colonial government of New England decided to undertake. Accordingly, in March 1745, an expedition under the command of William Pepperell was sent against the French stronghold. In the colonies south of New England the authorities declared Louisbourg to be impregnable and refused to lend any assistance to the expedition, which they asserted could end only in ridiculous failure. But notwithstanding the strength of the French position and the opinions of their neighbors, Pepperell's men, with the aid of an English fleet, accomplished the capture of Louisbourg in less than two months, an exploit that was one of the most remarkable events of colonial history. However, the effect of this brilliant feat on the outcome of the struggle for the control of the fisheries was entirely negligible, for in the Treaty of Aix-la-Chapelle, by which the war was terminated, in 1748, England returned Louisbourg and Cape Breton Island to France, thus restoring conditions in America to practically the same state that had existed before the war.[2]

In 1756, the conflict was once more renewed. Again the English and colonial forces demonstrated their superiority over the French, and this time the fruits of victory were not given back. By the terms of the treaty concluded in Paris in 1763, France was dispossessed of her continental possessions in North America and lost all her territory in the northern fishing-grounds except the two small islands of Miquelon and St. Pierre, which she was allowed to retain for the use of French fishermen.[3] The treaty provided that the fisheries of Newfoundland and Nova Scotia should remain on the footing established by the treaty of 1713, but France was excluded from the fisheries lying within 15 leagues of Cape Breton Island and from the fisheries in the Gulf of St. Lawrence lying within 3 leagues of the coast of any land belonging to Great

[1]Tower, *History of Amer. Whale Fishery*, 27. [2]Chalmers, *Treaties*, I, 424. [3]*Ibid.*, 467.

Britain. Thus did England acquire an empire from her ancient rival, and the long struggle of the two nations for supremacy in the New World came to an end.

THE FISHERIES FROM THE PEACE OF PARIS TO THE REVOLUTION.

To the American colonists the most important result of the conflict with France was, at that time at least, the termination of the efforts of the French to monopolize the fisheries. During the two decades preceding the Peace of Paris the fishing industry of New England had failed to expand at a normal rate. Thousands of fishermen had entered the regular English navy, many had abandoned their peaceful calling for the exciting life aboard a privateer, and others had joined the numerous expeditions sent against the French military posts in Canada. With the close of the war all conditions seemed propitious for a rapid industrial and commercial expansion. The danger of a foreign war was no more present, there was no longer a risk of molestation of fishing and trading vessels by ubiquitous privateers, the range of industrial and commercial operations was greatly widened, and a period of unprecedented prosperity seemed to be at hand. But, unfortunately, the English King and his ministry announced that the time had come for a radical change of colonial policy. It was declared that henceforth the trade of the colonies was not only to be regulated in such a way as to serve the interests of the English merchants and manufacturers, but also to be subjected to taxation, the revenue from which would contribute to the support of the imperial administrative system and, perchance, even afford a surplus to help extinguish the large debt incurred in the acquisition of the imperial possessions.

Casting around for a starting-point for the new colonial policy, the British ministry hit upon the almost forgotten and long-neglected Molasses Act of 1733 as a measure exactly suited to their needs, and announced their intention of enforcing its provisions to the letter. Their proposal met with the most vigorous protestations from the New England colonies. The prosperity of the fisheries which furnished the basis of New England commerce was dependent upon the West Indian trade, and the English islands in the West Indies provided a market for only one-third of the fish exported and furnished a still smaller fraction of the molasses needed in the New England rum distilleries. The General Court of Massachusetts stated that the enforcement of the Molasses Act would cause a direct pecuniary loss to the colony of nearly £300,000 annually from injury to the fisheries, besides decreasing the amount of importations from England by a sum almost as large. The people of Rhode Island sent a long remonstrance to the Lords Commissioners of Trade and Plantations, stating that the total yearly production of molasses in the British West Indies would not equal two-thirds of the amount annually imported into their colony, and that the

Molasses Act of 1733, if revised and carried into execution, would bring utter destruction to all their industries and trade.[1] Notwithstanding these representations, the English Parliament passed the Sugar Act of 1764. By this measure duties considerably lower than those levied by the act of 1733 were imposed on foreign molasses imported into the colonies, and the importation of foreign rum was prohibited. At the same time, duties were levied on several other important colonial imports and preparations were made for the extension of the British system of stamp taxes to the colonies.

The ten years following the passage of the Sugar Act witnessed the gradual widening of the breach between the colonies and the mother country. Parliamentary measures to compel submission and obedience were met one after the other with evasion and resistance on the part of the colonies. One of the last efforts of England to force the colonies to submit was an act, passed in 1775, restricting New England's commerce entirely to English ports and providing that no vessel of New England should be permitted, except by special license, to engage in any fishery on any part of the coast of North America. In less than a month after the passage of this measure, the engagements at Lexington and Concord signalized the beginning of the Revolutionary War.

In spite of the oppressive commercial legislation following the French and Indian War, the commerce of New England had steadily expanded. By bribery or intimidation of customs officials, by using false certificates, and by smuggling, a large trade with the French and Spanish West Indies was continually maintained, and by means of this trade the fisheries grew more rapidly than at any previous time. It is estimated that during the ten years from 1765 to 1775 there were 665 vessels, of a total of 25,630 tons, and carrying 4,405 men, annually employed in the New England cod fishery alone.[2] In Maine the number of vessels was 60, with a tonnage of 1,000; the remainder belonged to Massachusetts. Marblehead and Gloucester were the leading fishing-ports, and Salem, Ipswich, Yarmouth, Plymouth, and Chatham all had cod fleets numbering 30 sail or more. Three hundred and fifty vessels, many of which were more than 100 tons burden, were employed in carrying the fish to markets in Europe and the West Indies. Altogether the fisheries furnished employment for upward of 10,000 men, and yielded a product approximating $2,000,000 a year in value. The colonial whale fishery in 1774 employed no less than 360 vessels, with an aggregate burden of 33,000 tons. Of these, 300 belonged to Massachusetts ports, of which Nantucket held the lead with at least 120, and the remainder were distributed among different ports of Connecticut, Rhode Island, and New York.

[1]Callender, *Selections from Econ. Hist. of U. S.*, 56.
[2]Amer. State Papers, *Commerce and Navigation*, I, 8.

EFFECT OF THE REVOLUTION UPON THE FISHERIES.

The opening of the Revolutionary War marked a complete cessation of the fishing industry. In his *History of the New England Fisheries* (p. 121), Mr. Raymond McFarland graphically pictures the conditions of the time as follows:

"For the first time since its beginning in the early part of the seventeenth century, this ancient industry of the sea was wholly suspended. For a decade the annals of the fisheries give place to records of war, to feats of daring on land and sea. What could be accomplished neither by raiding Indians, nor by hostile French wars, nor by restrictions of Parliament, nor by two centuries of battling with the storms of the ocean, was accomplished in a single season by the war. The doughty schooners fled for refuge to their native harbors; lines, tubs and sounding-lead were laid away in storehouses; cargoes of fish and salt were unloaded upon the wharves; captain and crew threw off their oiled barvels, and the seas were undisturbed by the white sails of fishing craft that had dotted their surface for more than five generations.

"But a wonderful transformation was at hand! Almost in a night the change took place, for, on another day, the largest vessels in the fleet were speeding out of harbor once more to scour the seas in search of a new prey. Lines and tubs had given place to cutlasses and swivels; out of the sounding-leads bullets had been melted; the hold of the vessel, once filled with salt and fish, furnished commodious quarters for a score or two of fighting seamen; barvels had been exchanged for American uniforms for men who were as eager now to train their guns upon British men-of-war as they had been but a few weeks before to cast their lines on the Grand Bank of Newfoundland. In this way hundreds of fishing schooners were fitted out as privateers, manned by fishermen in numbers reaching into the thousands. Many fishermen enlisted in the land service, too, and gave good accounts of themselves at Bunker Hill, Trenton, and other places. But the sea held by far the greater number of the enlisted fishermen. This was but natural, as the sea was their chosen home, and men who had been driven from the scene of their daily toil in securing a living for their families found no better place for redressing their wrongs than at the place where the wrong was committed."

The losses caused by the interruption of the fisheries can not be determined. The loss in products must have been $15,000,000, and the loss from the decay of wharves, vessels, and other property used in fishing was unquestionably several hundred thousand dollars. The condition of the fishing-ports at the close of the war bore adequate testimony as to the ravaging effect of the struggle upon the entire industry. At Marblehead, for instance, the vessel tonnage decreased from 12,000 in 1772 to 1,509 in 1780, and the number of polls from 1,203 to 544. In 1774, Chatham employed 27 vessels in the cod fishery and in 1783 only four or five vessels were left in the harbor, and "the town was filled with widows mourning the loss of their husbands and sons." The fishing industry in all its branches was virtually destroyed, and the people who had formerly depended upon it for their livelihood were reduced to destitution and misery.

In the negotiations for peace in 1783, the fisheries were an important subject for consideration, just as they had been an important factor in

the events leading up to the war for independence. Fortunately for New England, one of the commissioners who negotiated the treaty was John Adams, who, as a native of Massachusetts, thoroughly understood the importance of securing from England liberal concessions in regard to the fishing-rights of the people of the United States. By dint of arduous labor, Adams was able to achieve results that surpassed both the hopes of his government and the expectations of the New England people. The terms of the treaty in regard to the fisheries were expressed in Article III, as follows:

"It is agreed that the people of the United States shall continue to enjoy unmolested the right to take fish of every kind on the Grand Bank, and on the other banks of Newfoundland; also in the Gulph of St. Lawrence, and in all other places in the sea where the inhabitants of both countries used at any time heretofore to fish. And also that the inhabitants of the United States shall have liberty to take fish of every kind on such part of the coast of Newfoundland as British fishermen shall use (but not to dry or cure the same on that island) and also on the coasts, bays, harbours and creeks of all other of His Britannic Majesty's dominions in America; and that the American fishermen shall have the liberty to dry and cure fish in any of the unsettled bays, harbours, and creeks of Nova Scotia, Magdalen Island, and Labrador, so long as the same shall remain unsettled; but so soon as the same or either of them shall be settled, it shall not be lawful for the said fishermen to dry or cure fish at such settlements, without a previous agreement for that purpose with the inhabitants, proprietors or possessors of the ground."

The privileges granted to the people of the United States by this article were practically equal to the privileges enjoyed during the colonial period. The securing of such favorable terms was one of the most satisfactory results of the treaty negotiations.

With the return of peace, efforts were immediately made to revive the languishing fishing industries. However, the long period of inaction had brought about changes which made recovery exceedingly difficult. The large fishing equipment had decayed or had been devoted to other uses, the fishermen had sought other employment, and their children were without training or experience in the fishing business. Moreover, the fisheries were dependent upon the foreign trade, and the new nation found that the commercial relations of an independent power with the rest of the world were quite different from the relations possessed by the colonies of a powerful and wealthy empire. England was no longer a protector, but a keen competitor. France and Spain were willing enough to lend encouragement and assistance to rebellious English colonies, but, the discomfiture of their hereditary foe accomplished, they displayed a decided aversion toward aiding the development of a new commercial rival. The British navigation laws, literally interpreted, not only excluded all vessels of the United States from trade with English colonies, but even prohibited them from carrying goods produced anywhere in America to the ports of Great Britain.

Shortly after the conclusion of peace, and annually thereafter for a number of years, Parliament empowered the King to regulate the commercial intercourse of England with the United States. Orders in council were soon issued placing vessels of the United States on practically the same footing as British vessels with respect to the carriage of produce of the United States directly to the ports of Great Britain, but there was no relaxation of the navigation laws with regard to the trade between the United States and the British West Indies. Moreover, for the purpose of promoting the British fisheries in America, the orders in council designating the commodities which British vessels might carry from the United States to the British West Indies excluded fish from the list. The English sugar-planters themselves earnestly endeavored to secure freedom of trade with the United States, but their efforts were unavailing. The orders in council respecting the West Indian trade were repeated from year to year, and in 1788 their provisions were embodied by Parliament into permanent law. In 1784 France and Spain closed their colonial ports in America, thus excluding the shipping of the United States from all commerce with the West Indies, except a small trade with the Danish and Dutch Islands. To add to these adverse conditions, the Mediterranean trade of the United States, now that the protection of England was withdrawn, was totally destroyed by the Algerian pirates. The prospects for a revival of commerce were indeed gloomy.

However, the protestation of the sugar planters of the French West Indies, the decline of the French fisheries, and a crop failure in France caused the French government soon to relax the restrictions it had imposed. Once a number of important West Indian ports were open to American vessels, the West Indian trade quickly recovered. Though the English laws were not modified, they were evaded or disregarded and American provisions found access to markets in the British islands. Trade with Portugal and Spain was renewed, and new markets were found along the Baltic and in the Far East. Beginning with 1786, the foreign trade of the United States began to revive very rapidly, and by 1788 it was as prosperous as it had been at any previous time.

With the revival of foreign commerce, especially of that with the West Indies, Portugal, and Spain, the New England cod fishery began to recover. Between 1786 and 1790 it employed each year an average of 539 vessels measuring 19,185 tons. The tonnage for 1789–90 was 26,522, a thousand tons more than the average for the prosperous years from 1765 to 1775, and the quantity of dried and pickled fish exported in 1789 was somewhat larger than the quantity exported in 1771. The profits derived from the industry were not so large, however, as in former years, because of the advantage held in competitive markets by the fishermen of France and England, who were aided by large bounties granted by their governments. Nevertheless, the superior natural

advantages of the American fishermen enabled them to maintain and expand their business. At the time of the beginning of the new government the cod fishery seems to have been rehabilitated, though it was soon to be reduced to a temporary state of distress through losses occasioned by the import duties levied by Congress on salt and material used in fishing equipment.

Though the cod fishery recovered, the whale fishery did not. For some years before the Revolution, England had provided the market for nearly all colonial whale products and Parliament had encouraged the colonial whaling industry by granting preferential duties. Whale-fins were "enumerated" in 1766, and practically all the oil produced in the colonies was also sold in Great Britain. After the war, the English markets were completely closed to American shipments by prohibitive duties. Moreover, while whaling had been suspended, the people of America had grown accustomed to the use of tallow candles, and there was no large domestic demand for oil after the whaling industry was resumed. Prices fell far below what they had been before the Revolution. The fleets of Nantucket, New Bedford, and other whaling ports did not attain their former size. Some Nantucket whalemen went to Nova Scotia in response to inducements from the British government and a few others emigrated to Europe to carry on the whaling business at Dunkirk under the patronage of the French King. In 1789 the prospects of American whaling were made somewhat brighter by the opening of the French market to American products, but the hopes occasioned by this action were soon dispelled by the outbreak of the French Revolution. The adverse conditions of restricted market and low prices could not be overcome, and though the whaling industry continued, it remained on a precarious footing for more than a quarter of a century, and at times it seemed doomed to total extinction.

CHAPTER X.

AMERICAN COASTWISE TRADE BEFORE 1789.[1]

The coastwise commerce of the continental colonies planted in America had its origin partly in the work of collecting commodities for export and of distributing imported goods, and partly in the interchange of the various colonial products. The Plymouth colonists established trading-posts along the New England coast, for the collection of furs and other native commodities, from the sale of which they secured the funds to pay their debt to the English investors who had furnished the capital for their colonizing venture. Governor Bradford records, too, that in 1627 a vessel came to Plymouth from the Dutch plantation of New Amsterdam, bringing "diverse commodities, as sugar, linen cloth, Holland finer and courser stufes, etc." In 1631 Governor Winthrop built the *Blessing of the Bay* for trade with the other plantations, and he records that during the same year a vessel arrived from Virginia laden with corn and tobacco to be exchanged for fish.

To the Dutch who settled at New Amsterdam may be given the credit for being the first to develop an extensive coastwise commerce on a systematic basis. At the time the Dutch settlement was established, Holland was the greatest distributing center of Europe. Like the city state of Venice in the fourteenth and fifteenth centuries, Holland was in the seventeenth century a nation of traders. To the busy seaports of that country came the products of all parts of the world, to be redistributed, and in the outposts established by the Dutch trading companies the eager and energetic commercial activities of the Dutch people found prompt expression. From New Amsterdam small vessels sailed to the English plantations both to the north and to the south, exchanging gunpowder, salt, clothing, and European manufactures of all kinds for large quantities of tobacco, grain, fish, and furs, part of which was consumed at the Dutch colony, but most of which was transported to the markets of Holland. In the ubiquitous Dutch trading-

[1]This chapter, which is intended to present a brief general account of the Coastwise Commerce prior to 1789, was written by T. W. Van Metre, who consulted, in addition to the works referred to in the footnotes, the earlier chapters of an unpublished *History of the Coastwise Commerce of the United States* by Professor Thomas Conway, Jr. [Editor.]

vessels England found the greatest obstacle to her own commercial and naval progress, and it was only after a stubborn conflict that the restrictive commercial policy of the Commonwealth prevailed and the formidable rival was crushed. In 1664 New Amsterdam was seized by the English, and though the Dutch continued for a time to share in the American trade, and even recovered their colony for a brief period, their power in the American continent, both political and commercial, was broken, and before the close of the seventeenth century Dutch shipping virtually ceased to figure in either the foreign or the domestic trade of the English colonies.

Meanwhile, even before any attempt had been made to exclude the Dutch from the English colonial trade, the shipping of New England had begun to assume a position of no small importance in the intercolonial and over-sea commerce of America. During most of the first century of their existence the New England colonies had a surplus of grain for export, which, with fish and other provisions and imported wares from Europe, found a ready market in Virginia and Maryland as well as in the West Indies. From Virginia and Maryland large quantities of tobacco were taken coastwise to Boston and Salem, and, regardless of the admonition of Charles I, this product was then sold in the markets of continental Europe, while from the West Indies sugar and dyewoods were collected for export, and molasses was imported for the rum manufacture. Aside from the coastwise trade with the southern colonies, the New England people developed a thriving and prosperous trade along their own coasts, collecting at their important seaports the grain, fish, fur, and other products of the smaller settlements and distributing among them the imports from Europe and the other colonies.

There were several reasons why the colonies of New England, as well as New York, and, later, Pennsylvania, should develop a commerce to be carried on by their own people and in their own ships. In the first place, the comparative lack of native commodities which could be sold in England made it almost imperative that the people of these settlements should provide their own vessels to transport their surplus products to whatever markets they could find, and it was inevitable that a portion of the population should engage in trade as a means of securing a livelihood. The development of the fisheries gave a tremendous stimulus to ship-building, and both of these industries, as well as the rum manufacture and small-farm agriculture, were conducive to the growth of seaport cities, which became the centers of a thriving and prosperous commerce. With such advantages as cheap ships, little external competition, and well-located markets, the traders of the northern colonies were able almost completely to monopolize the intercolonial trade of the British possessions in America. In the South exactly opposite conditions prevailed. The two chief products,

tobacco and rice, were demanded in England, and English merchants sent out the ships necessary for their transportation. Agriculture, conducted on a large scale, was the chief industry, navigation and shipping remained undeveloped, few cities arose, and the number of merchants and traders was relatively small.

For the development of coastwise trade, conditions in the northern colonies were much more favorable than in the southern. In the former, the population lived near the sea, and, while there was a large number of ports to be found along the coast, it was from only a few of them that an important over-sea trade was carried on. To these larger ports numerous small shipments of articles intended for the export trade were carried from the other settlements, and from them were distributed the imported wares which poured in from Europe, Africa, the Western Islands, and the West Indies. To this business of collection and distribution was added the interchange of colonial products intended for domestic consumption, a trade which became increasingly important during the eighteenth century, when New England was compelled to rely for breadstuffs on the farms of Pennsylvania, New Jersey, and New York. In the South a large part of the over-sea trade was carried on directly from the plantation wharves which lined the numerous navigable rivers, a single plantation often being able to give employment to two or more vessels. The work of the collection of exports and the distribution of imports in small vessels was relatively unimportant, and consequently the local coastwise trade never approached the magnitude of the local trade of the northern colonies, where production was on a smaller scale, industry more diversified, and trading more active. The coastwise trade between the North and the South came to be of some importance, but it was small in comparison either to the local coastwise trade of the northern colonies or to the trade between the continental colonies and the West Indies—the most important branch of the inter-colonial trade. Only a small amount of southern products was consumed in the northern colonies, and the demand for the products of the northern settlements among the southern plantations was likewise relatively small.

It was not until after the close of the colonial period, when the cotton industry was established and the South began to supply raw materials for northern manufactures and to draw its subsistence from northern farms, that a large and valuable intersectional commerce was developed. During most of the colonial period Virginia and Maryland raised grain in sufficiently large quantities to have a surplus for export, and many of the southern plantations maintained small fishing industries to supply domestic needs. Rum was probably the most important domestic commodity purchased from New England, and even rum could be secured as easily from Jamaica as from Rhode Island. The exportation of the southern surplus to Europe fell for the most part into

the hands of British merchants, and though the carriers of New England and New York collected some southern tobacco and rice at northern ports for shipment to Europe, the quantity was very small as compared to that carried directly in the vessels of England. The shipping of England likewise carried to the southern planters most of the European imports which they consumed.

BRITISH NAVIGATION ACTS AND THE COLONIAL COASTWISE TRADE.

The enactment of the Acts of Trade of 1660, 1663, and 1673 had a tendency to crystallize the conditions of trade described above. That is, these laws practically gave control of the intercolonial trade to the shipping of the northern colonies, made direct trade with England the most important branch of the commerce of the southern colonies, and greatly limited the possibility of the expansion of the coastwise trade between the two sections. The act of 1660 provided that all vessels sailing to the plantations from England, Ireland,[1] Wales, or Berwick were to give bond *at the port of departure* that if the vessels loaded enumerated commodities, they should be brought to some port of *England, Ireland*, or *Wales* or to *Berwick*, and "for all ships coming from any *other* port or place to any of the aforesaid plantations, who by this Act are permitted to trade there, that the Governor of such English Plantation shall before the said vessel be permitted to load on board any of the said commodities, take Bond . . . that such ship or vessel shall carry all the aforesaid goods that shall be laden on board . . . to some other of his Majesty's Plantations, or to England, Ireland, Wales or Town of Berwick upon Tweed." The strict enforcement of this act would have meant, of course, that a vessel sailing from England would not be able to transport any of the enumerated articles from one colony to another, and that for the most part this trade would be left to colonial vessels. There is no printed evidence available to show whether this apparent discrimination in favor of colonial vessels was ever rigorously enforced, but it is true, nevertheless, that the colonial vessels did almost completely monopolize the intercolonial trade, and not until after the Revolution did ships from England engage to any large extent in the carrying trade between the continental colonies and the West Indies.

Under the law of 1660 the colonists had perfect freedom of trade in enumerated commodities, and were able to secure them for their own consumption at a smaller price than was charged the English consumer, who was compelled to pay an import duty. This privilege, however, the colonial merchants soon abused, especially in connection with the Virginia tobacco trade. It appears that after the tobacco was landed at a New England port no effort was made at the time of its reexporta-

[1]Ireland was excluded from the plantation trade in enumerated commodities by the act of 1663 and subsequent laws.

tion to secure a bond that it would be shipped to some other plantation or to some port in England or Wales. Consequently the tobacco was carried directly to continental Europe, and not only did the English crown suffer the loss of the revenue it would have obtained had the tobacco been sent to England, but the English merchants were deprived of the commissions they would have received had the trade passed through their hands. It was estimated that in 1663 the English government was losing annually £10,000 on account of the activity of the New England merchants in the Virginia tobacco trade.

To prevent the loss of revenue and to compel the shipment directly to England of the enumerated commodities, beyond the amount actually demanded for colonial consumption, the act of 1673 was passed, levying export duties on enumerated commodities shipped from one colonial port to another, the duties being practically the same as the import duties paid on the goods when taken to England. For a time this law had but little effect. The New England traders smuggled tobacco out of the southern colonies and exported it to Holland and France as before. Moreover, they interpreted the law to mean that once they had paid the export duties required they were then at liberty to send the tobacco wherever they chose. After carrying tobacco to ports on the European continent they returned with cargoes of manufactures which, contrary to the law of 1663, were not "laden and shipped in England." These open violations of the Acts of Trade called forth a vigorous protest from British merchants, who in a petition[1] to the King in 1676 stated that New England was becoming the "great mart and staple" of all the colonies, and that England was being robbed of her trade and the King of his revenue. Notwithstanding the opinion of the attorney-general of England that the act of 1673 did not abolish the necessity of giving bond for the shipment of enumerated goods to some English dominion, the direct trade with the continent of Europe continued, and even after the passage of the act of 1696, which specifically provided that bond should be given whenever the enumerated articles were shipped and that the export duties should be paid just as often as these articles were sent from one colony to another, the illicit trade was carried on to some extent. Edward Randolph reported[2] in 1676 that Massachusetts took no notice of the Navigation Acts, importing enumerated goods of all varieties and transporting them directly to Europe. A favorite plan to secure tobacco was to smuggle it out of Carolina and the "Out Parts of Virginia,"[3] where it was possible to evade the payment of export duties. Robert Holden wrote to the Commissioners of Customs in 1679 that half a dozen Boston traders were receiving each year the greatest part of the tobacco of Albemarle County, upon which little of the export

[1]*Calendar of State Papers, America and West Indies*, 1675–76, p. 337.
[2]*Ibid.*, 466. [3]*Documents Relating to Colonial Hist. of N. Y.*, V, 30.

duty had been paid.[1] In a letter to the Commissioners of Customs in 1692 Randolph inclosed a forged certificate given by a Boston merchant, who he asserted had carried away 1,644 hogsheads of tobacco in three years.[2]

However, it is apparent that the act of 1673 had a restrictive effect on the coastwise trade. Governor Dongan of New York reported in 1687 that the law prevented New York from becoming a collecting port for the tobacco of Delaware.[3] And even the New England merchants are said to have paid the export duties on tobacco carried from Virginia to Boston and then to have shipped the tobacco to England, where import duties were paid.[4] There is little doubt that but for the Acts of Trade, Boston, New York, and Philadelphia would have competed actively for the trade of Virginia, and if so the coastwise commerce between the northern and southern colonies would have attained a much greater magnitude. The largest part of the colonial shipping belonged to merchants who preferred to carry the commodities which they themselves bought and sold. The carriage of tobacco and rice directly from the southern colonies to England apparently did not appeal to them as a profitable business and the field was left to the shipping of England. It seems also that the shipping owned in New England did not engage largely in the transportation of sugar from the West Indies to Europe, for when a law was passed in 1739 permitting the exportation of sugar directly to points south of Cape Finisterre, but limiting the carriage to vessels built and owned in Great Britain, there was no protest, except from the British carriers who owned colonial-built ships. In 1742 the privilege of entering the trade was accorded to them, but the New England ship-owner never received the same concession. In the same manner only the ship-owner residing in Great Britain was permitted by the act of 1730 to carry rice from Carolina directly to points south of Cape Finisterre, and the New England merchants and carriers never protested.

CHARACTER AND VOLUME OF INTERCOLONIAL COASTWISE TRADE.

While there is no source of information from which one may derive an accurate statement of the development of the coastwise trade during the eighteenth century, there is abundant evidence that indicates the general character of the trade and shows its relative importance. Next to the West Indian trade, the coastwise trade of the northern colonies was unquestionably the most valuable branch of commerce carried on by American merchants and shippers, though neither the West Indian trade of the colonies as a whole nor the coastwise trade ever attained during the colonial period the value of the total direct

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[1] *Calendar of State Papers, America and West Indies*, 1677–1680, p. 372.
[2] *Ibid., America and West Indies*, 1689–92, p. 659.
[3] *Documents Relating to Colonial Hist. of N. Y.*, III, 393.
[4] Peter Force, *Tracts*, IV, No. 11, 8.

commerce between the colonies and Europe. Among the northern colonies, New Hampshire, Connecticut, New Jersey, and Delaware had comparatively little shipping engaged in the transatlantic or the West Indian trade, and their people sold their surplus produce at the important seaports of the neighboring colonies and bought at those cities the salt, clothing, sugar, tea, spices, wines, and manufactured goods which had been brought in from Europe and the West Indies. In 1725 the little colony of New Hampshire reported that its trade with Boston had a value of £5,000 a year.[1] In 1730 the General Assembly of Connecticut reported to the Board of Trade:

"The trade of the Colony is but small. Horses and lumber are exported from hence to the West Indies, for which we receive in exchange, sugar, salt, molasses and rum. What provisions we can spare, and some quantity of tar and turpentine, are sent to Boston and New York, and Rhode Island, for which we receive European goods."

Forty-two vessels, the largest of which was of a burden of 60 tons, belonged to the people of the colony. There was no trade with Europe "excepting only a few voyages to Ireland with timber and some few, one or two, that have of late been built here made their voyage to Bristol, there sold ship and cargo and brought their returns hither." All kinds of British manufactures, such as "woolen cloath, silks, glass, nails, scythes, pewter, brass and fire-arms" were imported, but they were nearly all purchased from the merchants of Boston.[2]

In the report of the Board of Trade on the state of the plantations in 1721, New Jersey was said to have no ships but coasting vessels, in which the colonists sent their produce, chiefly grain and cattle, to New York and Philadelphia, to be exchanged for English manufactures.[3] Regular packet service was established between all the more important northern ports, and both travel and trade among these cities grew constantly in volume. During the three years from June 24, 1714, to June 24, 1717, the vessels clearing from Boston to other ports on the continent numbered 390, with a tonnage of 11,589.[4] This was equal to the tonnage cleared for Great Britain and about one-third of the tonnage cleared for the West Indies. During the three years from 1715 to 1718 the clearances from New York for other continental colonies amounted to 4,234 tons.[4] Cadwallader Colden wrote from New York in 1723 that "several of our neighbors upon the continent can not well subsist without our assistance as to Provisions for we yearly sent Wheat & Flower to Boston and Road Island as well as to South Carolina, tho [not] in any great quantity."[5] In one week in May 1741, Boston received 6,650 bushels of corn, 200 bushels of peas, 180 bushels of beans, 534 barrels of flour, 291 barrels of beef, 278

[1]Weeden, *Economic and Social History of New England*, II, 589.
[2]*Public Records of Colony of Connecticut*, VII, 583.
[3]*Documents Relating to Colonial Hist. of N. Y.*, V, 603.
[4]*Ibid.*, 618. [5]*Ibid.*, 686.

barrels of pork, and 79 barrels of rice.[1] Governor George Clinton wrote to the Board of Trade and Plantations in 1749 that New York received from the northern and southern portions of the continent "Fish, Oil, Blubber, Whale Fins, Turpentine Oil, Seal Skins, Hops, Cyder, Flax, Bricks, Cole, Lamp Black, certain Wrought Iron, Tin and Brasiery, Joinery, various Carriages and Chairs," while to the English districts north and south New York sent "Provisions, Chocolate, Lumber, European and India Goods with those enumerated in the Plantation Trade Acts and such other Imported here for conveyance home regularly."[2] After 1730 New York refined sugar for sale to the other colonies.[3] Boston was the center of a large domestic trade in beef, butter, timber, fish, and rum, while New York and Philadelphia were centers for the collection and distribution of flour and grain. Boston would unquestionably have been the center of a considerable coastwise trade in domestic woolens, had it not been for the repressive policy of England. The hat-making industry of the northern colonies was also restricted, and as a consequence there was little trade in colonial manufactures, if one excepts breadstuffs, lumber, and rum.

The trade between the northern and southern colonies gradually expanded. With the increase of population there was a growing interchange of products, the tobacco, rice, and naval stores of the South being traded for rum, flour, fish, beef, pork, and European manufactured goods. In the report of the Board of Trade[4] above referred to several statements were made indicating the nature of the state of the trade between the North and South during the early eighteenth century. Maryland sent tobacco, beef, pork, and grain to the other colonies and received, in return, rum and sugar. Virginia likewise sold tobacco and provisions to the other plantations. North Carolina had but little commerce, and that was carried on by the sloops of New England, which brought clothing and ironware to exchange for pork, corn, pitch, and tar, the two articles last mentioned being carried first to New England and then to Great Britain. Few of the southern colonies possessed any shipping to speak of, the planters depending upon the merchants and carriers of Great Britain and New England.

During the early part of the eighteenth century an interesting coastwise commerce began between New England and the southern colonies, which, as Weeden says, "sheds light both upon the general development of coasting trade and upon the peculiar tendency of early New England enterprise to join capital and labor."[5] During the winter, when there was little fishing carried on, the owners of small fishing-sloops would load their craft with salt, rum, sugar, molasses, iron and wooden ware, hats, caps, cloth, handkerchiefs, and stockings, which they carried to

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[1]Weeden, *Economic and Social History of New England,* II, 591.
[2]*Documents Relating to Colonial Hist. of N. Y.,* VI, 511. [3]*Ibid.*
[4]*Ibid.,* V, 591. [5]Weeden, *Economic and Social History of New England,* II, 590.

the southern colonies and peddled from place to place, returning early in the spring with a valuable lot of pitch and tar and supplies of corn and pickled pork. These trading expeditions of the fishermen were private ventures entirely, which offered a good opportunity to secure a profit even during the winter season from the investment in fishing craft.

Thus, while the most important portion of the commerce of the southern plantations was with Great Britain, the trade with the colonies of the north formed a regular feature of their economic life. Part of this trade was carried on in connection with the West India trade of the northern colonies, vessels stopping on the voyage each way, once to exchange rum and imported merchandise for staves, headings, and provisions for the sugar islands, and again to leave sugar, molasses, rum, and negroes. Occasionally slaves were sent from Newport and other northern cities to the southern plantations, but for the most part the slaves came either directly from Africa or from the West Indies. Goods which had been smuggled into New England from Europe were sold regularly in the South, though probably not in large quantities, and manufactures of all kinds from England were also distributed among the southern ports by the northern merchants. Peter Faneuil and Thomas Amory, Boston merchants, traded regularly with the southern colonies, and the merchants of New York and Philadelphia also bought and sold there. The volume published in 1914 by the Massachusetts Historical Society, containing a portion of the correspondence of several Newport merchants during the eighteenth century, throws some interesting light on the coastwise trade. The Newport traders had dealings with merchants at practically every port of any importance along the entire coast, selling rum, clothing, manufactures, and slaves, and buying provisions, rice, tobacco, and other native products.[1] That they met with competition is indicated by a letter from Charleston, South Carolina, in 1770, saying that the market there had been supplied with sugar from New York and Philadelphia.[2] That the Acts of Trade were not enforced with complete effectiveness is indicated by the sailing orders given a Captain Hammond in 1770 to take a cargo of rice, sugar, and ginger to Gothenburg or to Hamburg and lay out the proceeds in Bohea tea and other articles, which were to be consigned to one of the French Islands in the West Indies, but carried to Rhode Island and secretly unloaded.[3]

The volume of the coastwise trade of the colonies on the eve of the Revolution is indicated in table 9, showing the entrances and clearances at the ports of the northern and southern colonies in 1769. The statistics of the tonnage of entrances and clearances of the several individual colonies are given in table 5, on page 92.

[1] *The Commerce of Rhode Island*, I (Mass. Hist. Soc. Collections, 7th series, IX, 1914).
[2] *Ibid.*, 325. [3] *Ibid.*, 332.

TABLE 9.—*Gross registered tonnage of the vessels entered and cleared at the ports of the northern and southern colonies in 1769.*

ENTERED.

	From Great Britain and Ireland.	Southern ports of Europe and Africa.	British and foreign West Indies.	Continent of America, Bahamas, Newfoundland, etc.	Total.
Total for northern colonies. .	30,353	20,906	60,888	78,198	190,345
Total for southern colonies. .	60,357	13,245	34,028	34,171	141,801
Total for all colonies. .	90,710	34,151	94,916	112,369	332,146
CLEARED.					
Total for northern colonies. .	31,675	21,888	63,651	72,875	190,089
Total for southern colonies. .	67,446	20,713	32,731	28,323	149,213
Total for all colonies. .	99,121	42,601	96,382	101,198	339,302
Total entrances and clearances.	189,831	76,752	191,298	213,567	671,448

The statistics in the fourth column of this table indicate fairly well the volume of the coastwise trade. Part of the entrances and clearances here indicated were for the trade with Newfoundland, Canada, Nova Scotia, Florida, Bermuda, and the Bahamas, and in order to consider only the trade among the thirteen colonies it would be necessary to make some subtraction, though at the most the deduction would not amount to more than 25,000 tons.[1] Even with this deduction the coastwise trade of the thirteen colonies would, from the standpoint of tonnage of shipping engaged, rank among the leading branches of colonial commerce. It may be safely assumed, however, that its value was less than that of the trade with Great Britain or of the West Indian trade. The most important feature which the table brings out is the difference in the character of the commerce of the northern and southern colonies. In the North the coastwise business took high rank in all the colonies, employing in Rhode Island and Connecticut practically

[1]The entrances and clearances of Canada, Nova Scotia, Newfoundland, and Florida, for ports, of the continent of America, in 1769, were as follows (Raynal, *Histoire Philosophique*, IX, No. 3):

TABLE 10.—*Tonnage of entrances and clearances, continent of North America, 1769.*

	Canada.	Nova Scotia.	Newfoundland	East Florida.	West Florida.	Total.
Entered (tons).	2,246	4,495	3,087	1,097	375	11,300
Cleared (tons).	2,752	5,489	923	1,688	612	11,064

Lord Sheffield, in his *Observations on Commerce*, gives a table showing the entrances and clearances for all the English colonies in America in 1770. The total for the continental colonies was larger than for 1769, but the relative proportions were about the same.

one-half of the tonnage entered and cleared, and more than one-third of the tonnage of the entrances and clearances of Massachusetts, the leading commercial colony. Among the southern colonies the coastwise business held a much less important position. Direct trade with Great Britain, as shown in table 9, employed almost one-half of the tonnage of the entrances and clearances of southern ports, and the coastwise trade was represented by little more than one-fifth.

Like all the other branches of trade carried on in colonial vessels, the coastwise commerce was almost utterly destroyed during the Revolution. American ships which were not employed as privateers were compelled for the most part to lie rotting at the wharves until the war was ended, and though a small amount of trade was carried on among the colonies, the business was dangerous and therefore small and irregular. It was during these years that the need for home manufactures and better means of inland transportation were effectually demonstrated. It is of interest to note that almost as soon as the war ended, steps were taken to improve the inland navigation of Virginia and other States, in order that a sheltered waterway might be provided for at least a part of the distance along the Atlantic coast.

INTERSTATE TRADE AFTER THE REVOLUTION. PROVISIONS OF THE CONSTITUTION.

At the close of the war the coastwise trade was at once resumed. It was, in fact, the only branch of the old colonial trade of the American merchants and carriers which it was possible freely to take up again, the trade to the West Indies being forbidden by the Navigation Laws of Great Britain and the commerce with southern Europe ruined by the withdrawal of British protection against pirates. Direct trade with Great Britain immediately resumed its former volume, but, as before, it was carried on chiefly in British ships. For a time the coastwise trade prospered, but before long, in common with the other branches of trade, it experienced a severe depression. Credit everywhere was impaired, there was little money, and the various States, jealous and fearful of the commercial prosperity of one another, began to erect barriers that crippled the commerce of all. New York attempted to break up the trade of Connecticut and New Jersey by imposing heavy fees on every vessel entering from those States. Delaware and New Jersey tried to attract to their ports the foreign trade of Pennsylvania and New York by a system of legislation offering lower import duties and more favorable trade regulations. When Massachusetts and Rhode Island placed almost prohibitive duties on imports carried in British ships, Connecticut admitted such imports free, hoping to obtain a monopoly of domestic trade in British products. Several of the States imposed heavy duties on goods from all other States with the two-fold object of encouraging domestic production and of conserving the supply of coin. It was due primarily to the extreme need of a

system of uniform regulation of interstate and foreign trade that the Annapolis convention was held in 1786, the convention which called the meeting of the body that framed the Federal Constitution at Philadelphia in 1787.

The disputes among the makers of the Constitution over what power of commercial regulation should be given to Congress were exceedingly bitter, and in no other phase of the work of the convention did the opposing economic interests of the sections of the country stand out more clearly. The northern navigating and trading States wanted complete power placed in the hands of the Federal Government, but the southern delegates feared that Congress might at some time, if dominated by the commercial interests of the North, enact a navigation law excluding foreign carriers. The result of such an act could only be a tremendous increase in freight rates which would impoverish the southern planter and enrich the northern carrier. Almost unanimously, therefore, the southern delegates insisted that a provision be inserted in the Constitution by which Congress would be prohibited from enacting a navigation law unless by a two-thirds vote of both houses. Furthermore, the South demanded that Congress be forbidden to levy export duties or prohibit the importation of slaves. Out of these conflicting views a compromise was eventually reached. Congress was given general power "to regulate commerce with foreign nations, and among the several States, and with the Indian tribes," and empowered to levy import duties on the condition that they be uniform throughout the United States. However, it was stipulated that "no preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another; nor shall vessels bound to, or from, one State, be obliged to enter, clear, or pay duties in another," that "no tax or duty shall be laid on articles exported from any State," and that "the migration or importation of such persons as any of the States now existing shall think proper to admit, shall not be prohibited by the Congress prior to the year 1808." Furthermore, it was agreed that "no State shall, without the consent of the Congress, lay any imposts or duties on imports or exports, except what may be absolutely necessary for executing its inspection laws; and the net produce of all duties and imposts, laid by any State on imports or exports, shall be for the use of the Treasury of the United States; and all such laws shall be subject to the revision and control of the Congress." "No State shall, without the consent of Congress, lay any duty of tonnage or . . . enter into any agreement or compact with another State, or with a foreign power."

Before the new Constitution went into operation economic conditions in the United States began to take a turn for the better. Washington wrote to Jefferson in 1788: "The people have been ripened by misfortune for the reception of a good government. They are emerging

from the gulf of dissipation and debt into which they had precipitated themselves at the close of the war. Economy and industry are evidently gaining ground. Not only agriculture, but even manufactures, are much more attended to than formerly." Under the stimulating influence of renewed industrial activity the trade among the States quickly revived. Not only in the commodities of the colonial period did trade expand, but in the products of the growing manufactures and the imports from the newly opened East India markets a healthy domestic commerce sprang up. However, at the time the new government was launched, there was as yet no indication that the coastwise trade would ever occupy a more important relative position than during the colonial period, when it was exceeded in value both by the direct trade with Europe and by the West Indian trade. Domestic trade of great volume occurs only when there is a sectional diversity of products for which there is a great intersectional demand. Diversity of production of this kind did not exist to a large extent during colonial days, and even at the time of the adoption of the Constitution there was no indication that conditions favorable to a large interregional domestic commerce would soon arise. But two events, one occurring within a little more than a year after Washington's inauguration and the other four years after, foreshadowed a fundamental change in the economic organization of the nation. The first was the building of a cotton-mill by Samuel Slater at Pawtucket, Rhode Island, and the second was the invention of the cotton-gin by Eli Whitney. Out of the change heralded by these two events was to grow a domestic commerce, both coastwise and internal, more valuable than the foreign or domestic trade of any other nation of the world.

CHAPTER XI.

THE ORGANIZATION OF AMERICAN COMMERCE IN THE SEVENTEENTH AND EIGHTEENTH CENTURIES.

Place of the trading companies in early commerce, 175. The period of the merchant carrier, 178. Reasons why merchants were their own carriers, 179. Size of the *Mayflower* and other vessels, 181. Effects of British legislation upon colonial trade, 182. Trade conditions following 1783, 184. Effect of the establishment of the National Government, 184. Direct trade with the Far East, 185. Early merchant princes, 185. Appearance of the common carrier on the sea, 186. Charter traffic, 187. Attempts to establish line services between Europe and America, 188.

The merchant and carrier, at all times, adapt their methods, as fully as they can, to the work to be done; and trade management advances with the progress of economic organization. The activities of foreign merchants and ocean carriers are conditioned, first of all, by the status of industry and inland transportation, by national monetary systems, and by the extent to which domestic and international credit and banking institutions have been developed.

Political conditions and ideals, also, affect both the scope of commerce and the methods followed in carrying on trade. The existence or absence of an efficient central government will almost certainly aid or hinder the growth and organization of both inland and over-sea commerce; national ideals, such as found expression in the "mercantile system" and are embodied in present-day tariff laws, modify commercial evolution; while warfare and international recriminations have frequently interrupted the peaceful progress of trade.

The purpose of this chapter is to state briefly how American maritime commerce was carried on during the seventeenth and eighteenth centuries, to describe how American commerce was developed by British and colonial merchants under seventeenth and eighteenth century conditions. The account must necessarily begin with a brief reference to the trading companies by which the first colonies were planted in America.

PLACE OF THE TRADING COMPANIES IN EARLY COMMERCE.

The chartered companies that established settlements at Jamestown, Plymouth, New Amsterdam, and Boston were given the monopoly of the commerce of the regions granted to them. These companies expected to make money by reserving to themselves the exclusive conduct of the commerce of the American plantations; but experience soon showed that the companies, as such, were not effective trade managers. Their monopoly of commerce proved to be of advantage neither to the companies nor to the colonies. As the colonies grew, it

became evident that the trade between America and Europe could be carried on best by the merchants of England, the planters, traders, and fishermen of America, and, in course of time, by the merchant-traders of New England and the middle colonies.

The trade monopoly given the chartered companies was not only in harmony with the general practice of the sixteenth and seventeenth centuries, but was justified by the nature of the task which the companies assumed when they undertook to plant and maintain colonies in America. It was known that, even under the most favoring conditions, the plantations in the New World could hardly be expected to give rise immediately to a profitable commerce. Capital must be invested by the adventurers without returns for a period of years. The first division of profits, in the case of the Virginia and Plymouth companies, was to be made at the end of seven years, and by the second charter secured by the Virginia Company, in 1609, the distribution of the accumulated earnings was to be made in 1616. During the early years of experimental struggle to establish the American settlements, the commerce with America was not so much the exchange of commodities as the contribution of food and supplies by the companies to their plantations. The obligations assumed by the companies in return for their trade monopoly and their political powers proved to be much greater than the favors received; thus in a comparatively short time the trading companies went out of existence.

The Virginia Company decided in 1619 to permit outsiders to trade with its colony. Five years later, the King terminated the company's charter by quo warranto proceedings and Virginia became a crown colony. After that, the merchant traders of England and the planters in Virginia (the latter acting through their "factors" in England) slowly built up the large over-sea commerce of the colony.

In the case of Plymouth, the colonists, in 1627, made a financial settlement with the "adventurers" who had advanced the funds to start the colony. By this arrangement the colony secured control of its commerce when, seven years after the settlement of the colony, the time had come for the adventurers in England to make the first division of profits. The Plymouth Colony, in 1627, formed itself into a company and bought out the rights which the adventurers resident in England had in the property in New Plymouth, and the colony—*i. e.*, the company into which the colonists had formed themselves—decided to give to their eight leading men exclusive trading privileges for six years. These eight men, the "undertakers," accepted this trading monopoly not for their own gains, but that the profits of trading might be applied to the payment of the debt of £2,400 which the colony had incurred in settling with the adventurers.

The commerce of New Netherland was strictly monopolized by the Dutch West India Company from 1621 to 1638. Previously, in 1614,

the Amsterdam Company had been given the monopoly, for four years, of the trade of the Dutch possessions in America. The trade of the Amsterdam Company consisted of bartering with the Indians to secure furs, and this was the characteristic of commerce until some years after the Dutch West India Company had established permanent settlements in New Netherland. When, in 1638, the West India Company opened the trade of New Netherland to individual merchants resident in the colony, it required them to ship their goods in the company's vessels, and carefully regulated both the over-sea commerce and the traffic with the Indians. The merchants had to pay a duty of 10 per cent on imports and 15 per cent on exports. This was deemed necessary for revenue purposes; while the careful regulation of the trade with the Indians was imperative in order to prevent unscrupulous individuals from selling firearms and rum to the red men. The safety of the colony as well as the continuance of the fur trade depended upon this regulation.

The commerce carried on at New Amsterdam consisted both of the direct trade of the colony with Holland and of the indirect trade of the merchants of Holland with the tobacco colonies of Virginia and Maryland and with southern New England. The success of the Dutch merchants in securing the export trade of the British colonies, even to England, was such as to cause Parliament to pass the Navigation Acts of 1650 and 1651, requiring the use of English and colonial ships to bring colonial goods to England; and the British Act of Trade of 1660 included tobacco, the chief basis of the Dutch trade with the English colonies, among the enumerated articles that might be sold only in the English realm. For thirty years before this Act of Trade became a law there had been a continuous trade between Holland and the tobacco colonies in America. Some of the Amsterdam merchants who engaged in this commerce were Englishmen. The ships from Holland sometimes made direct trips to and from the Chesapeake, although it is probable that the traffic was more largely carried on via New Amsterdam.

The Dutch had developed this trade during the Civil War in England and it continued during the Protectorate in spite of Cromwell's vigorous measures. The British Acts of Trade of 1660 and 1663 confined the Dutch trade in America to New Netherland, and the conquest of that colony by the English in 1664 practically shut Holland out of the commerce with continental America. The elimination of the West India Company from New Netherland ended the monopolization of American commerce by trading companies; henceforth in all the colonies commerce was developed by English and colonial merchants subject to such restrictions as were contained in the British Acts of Trade and in colonial laws for the regulation of commerce and shipping.

In the proprietary colony, Maryland, there was no restriction placed upon trade. From the start it was open to individual traders; and

the early commerce of Maryland, as well as that of Virginia, after 1619, was carried on by English and Dutch merchants. The Acts of Trade prevented the Dutch merchants from engaging in the business and restricted the market of the principal export commodity to England. As the plantations grew larger, some planters sent their crops in their own vessels to their factors in England; and the merchants of New England, as they enlarged their coasting traffic, carried the products of New England, and also some of the supplies imported from Europe, to Virginia and Maryland to exchange for tobacco to be marketed in England.

The Carolinas, Pennsylvania, and Georgia were settled some time after the trading companies had made their unsuccessful attempts to monopolize the commerce of the colonies they had planted. The early commercial history of New Jersey was associated with that of New Netherland and New York, while Delaware was, at the beginning, a part of Pennsylvania.

THE PERIOD OF THE MERCHANT CARRIER.

The competitive organization of American commerce under the management of individual merchant traders prevailed throughout most of the seventeenth century and all of the eighteenth. American trade during these two centuries was carried on mainly by merchants who owned their own ships and were their own carriers. The trader did not pay freight to another man or to a company that owned ships and that acted as a common carrier. The ocean ship, like the warehouse or the store, was a part of the equipment of the merchant. At the present time the international trader and the ocean carrier are distinct. The merchant usually neither owns nor operates ships. He may charter one or more from time to time; but, for the most part, he buys transportation either of those who operate lines of sail or steam vessels or of those who own one or more vessels which may be chartered for a particular service or for specified times.

The transportation services of maritime commerce may be performed by one of three classes of persons:

(1) By the producer or manufacturer, who acts as his own merchant and himself takes his wares to the over-sea market. To some extent this was done by the tobacco planters of Virginia and the rum manufacturers and the fishermen of New England. The Standard Oil Company is to-day a conspicuous instance of a producer that operates ships.

(2) By the merchant or trader who owns and operates such vessels as his business may require. This trader's main business may be that of merchant with capital invested in one or more stores, warehouses, and piers, as well as in ships; or the trader may be merely the owner or master of one or several ships—the itinerant ocean trader who buys or

barters in whatever markets give promise of greatest profit. The merchant trader, ashore or afloat, carried on most of the maritime commerce of America till after the opening of the nineteenth century.

(3) By common carriers, by those who operate vessels as lines or as single units, and charge freight rates for their services. This is characteristic of ocean transportation to-day. Only a few producers and merchants operate ocean vessels, while both producers and traders depend upon common carriers for the transportation services. To make it possible for widely scattered shippers to secure ocean transportation readily, freight forwarders and ship-brokers act as intermediaries between shippers and carriers, while each company operating a line of vessels maintains an agency or many agencies in order to secure the traffic required to keep the ships profitably supplied with freight. This organization of maritime commerce differs as greatly from that prevailing in the eighteenth century as present international exchanges are unlike the over-sea trade of colonial days.

The reasons why the maritime commerce of America was carried on for nearly two centuries almost entirely by merchants and individual traders, and why ocean transportation did not become an organized service performed by common carriers who were not merchants, becomes evident if but a superficial survey be made of the manner in which industry was conducted and of the conditions prevailing upon the high seas.

Until some time after the opening of the nineteenth century, industry was still in the stage of small-scale, individual production. The era of large enterprises and big corporations had not arrived, and could not be ushered in, at least in America, until capital had become more abundant, until an economical system of inland transportation had been provided, and until mechanical inventions had cheapened the costs of production. The ocean carrier adapted to the industrial conditions of the eighteenth century, to the irregular shipments of small, dissociated, and scattered producers and merchants of that time, was the small vessel owned by the producer or merchant. Such a craft could wait upon traffic or be readily built when required, and, when loaded, could be sent anywhere in search of the market where its cargo might be most profitably sold or be bartered for other goods.

The commerce of the seventeenth and eighteenth centuries was largely barter, the direct exchange of goods for goods. With few exceptions, the producer or merchant did not and could not sell his goods until they reached the over-sea market. There were no telegraphic and cable connections with distant markets; there was no way as at present of selling goods in advance of shipment, to be delivered at a specified future date. Even the mails were of little, if any, aid to the producer or merchant. There was no regular mail service between Europe and America, and the only means of getting letters across the

ocean was to intrust them to the obliging captain of the next vessel to sail to the part of the world to which the letters were destined. The brig or ship might not sail for some days or weeks, the voyage might take six weeks or three months, and the letters could not be delivered promptly upon the arrival of the vessel at destination, unless the person to whom the mail was addressed lived in the vessel's port town or city. Ordinarily, a trader would be fortunate, if he got a reply from across the sea within six months after he wrote a letter of inquiry.

Being thus completely disconnected from his distant market, the merchant had to take or send his goods in his ship to the buyer. What the cargo brought, in coin or goods, after it had reached the end of the slow and uncertain ocean passage, depended upon the market conditions prevailing at that time; and the value of goods at any place, even at the largest commercial centers, was determined by the local trade situation. The electrically unified world-market of to-day did not exist.

Not all trade was barter of goods for goods. In the Spanish, French, and Portuguese markets of the West Indies and of Southern Europe, goods from America were paid for partly in coin; and in the West Indies, more especially in the British islands, bills of exchange on London were obtained by American merchants; but without a regular ocean mail service, without steamships and cables, international banking could make little headway and could do little to aid in the organization of international trade.

It was, however, the dangers to which commerce on the high seas was subject in the seventeenth and eighteenth centuries and until the close of the Napoleonic wars that more than anything else made impossible the handling of international trade in large units and the systematic organization of the service of the common carrier distinct from the mercantile business. In the seventeenth century and during the early decades of the eighteenth, piracy was so universal as to cause the black flag to be a familiar sight on the ocean and even in the ports of the southern colonies as far north as the Chesapeake. As the eighteenth century advanced, the pirates were quite generally driven from the seas, but were tolerated in the Mediterranean even into the nineteenth century.

On the whole, privateering was more destructive to commerce than was piracy. Five long wars added dangers to American commerce during the eighteenth century—the wars of the Spanish and Austrian Successions, the Seven Years' War, the American Revolution, and the earlier years of the long conflict started by the French Revolution. For more than 30 years during that century the merchants engaged in American trade had to take the risk of their goods and ships being captured by warships or privateers.

Under conditions of such frequent warfare there could ordinarily be no regular and advertised sailings of vessels over established ocean

routes. The ocean "line" and, indeed, the ocean carrier, publicly seeking traffic were impossible. The merchant loaded his goods into a small and preferably swift sailing vessel and quietly dispatched the ship in charge of a hardy captain and crew who recked little of danger, though they carefully avoided risk of capture by pirates or other foes. Like the Merchant of Venice, the merchant trader of the eighteenth century might well say:

> . . . "I thank my fortune for it,
> My ventures are not in one bottom trusted,
> Nor to one place; nor is my whole estate
> Upon the fortune of this present year."

That the ocean commerce of the first two centuries of American history was composed of small shipments, *i. e.*, was handled in small units, is clearly shown by the size of the vessels employed. The character and volume of trade, of course, determined the size of the carrier used for ocean transportation.

The *Mayflower* was a typical deep-sea vessel of the early part of the seventeenth century. It was a three-masted, double-decked ship barely 100 feet long and between 20 and 25 feet wide. Governor Bradford states in his diary that it was "of burden about 9 score," 180 tons, which would be the equivalent of about 120 tons gross register. There were 102 Pilgrims and the ship's crew on the *Mayflower*. The *Speedwell*, which started across with the *Mayflower*, was "of some 60 tuns," or one-third the size of the *Mayflower*. The *Speedwell* proved unseaworthy and had to be left in England, not because she was small, but because she was leaking (or the captain may have been treacherous). Bradford says that "after she was sould & put into her old trime, she made many viages & performed her service very sufficiently, to ye great profite of her owners."[1]

At the close of the eighteenth century, the large vessels operated in the transatlantic trade were the three-masted ships and barks of 200 tons gross register, but they were above the average. Brigs (two-masted, square-rigged vessels) were more numerous than the full-rigged ships were in the over-sea trade. The ordinary brig would be of 100 to 150 tons burden. Smaller vessels than this—snows, schooners, and even sloops—were used to carry freight across the Atlantic.

During the three years ending with 1789 the vessels clearing from England for America averaged 190 tons, gross register, each; those entering England from America were of 176 tons average. The English writer, Richard Champion, in his book *Considerations of the Present Situation of Great Britain and the United States of America*, published in 1784, placed the number of ships engaged in the American-European trade at 1,220, with a total gross register of 195,000. This would make

[1] Davis (ed.), *Bradford's Hist. of Plymouth Plantation*, 85.

the average tonnage of each vessel 160 tons. Champion's figures as to the number and tonnage of vessels engaged in the West Indian and coasting trade of the American States in 1784 show an average of 68 tons register per vessel. These figures indicate the size of vessels employed in ocean commerce near the end of the eighteenth century. For the smaller trade of the previous century yet smaller vessels were constructed; the craft each man built or bought at any given time presumably would be such as his business required. Neither commercial organization nor the shipping employed in commerce underwent any radical change during the eighteenth century.

EFFECTS OF BRITISH LEGISLATION UPON COLONIAL TRADE.

After the middle of the seventeenth century, the trade of the colonies had to be carried on subject to the commercial legislation of England and the regulations and laws adopted by the colonial governments. The effects of British and colonial legislation upon trade may be briefly stated.

The general purposes of the British Navigation and Trade Acts were: (1) to require the trade between the mother country and the colonies to be handled in ships owned and built in England or the colonies; and (2) to give, as far as practicable, the merchants in England a monopoly of the trade of the colonies.

The Navigation Acts, which excluded the Dutch and other foreign ships from the trade of the colonies with each other and with England, aided both the ship-builder and the merchant in the colonies. The fishermen and traders of New England, the merchants of the middle colonies, and to some extent the planters in the South were encouraged by the British Navigation Acts to build or buy vessels with which to market their goods. Had the colonial commerce been open to the ships and traders of all nations, the maritime trade of the colonies would hardly have been handled to the extent that it was by colonial ship-owning merchants.

In the fisheries, the intercolonial trade, and the commerce with the West Indies, American-built vessels were used and the colonial merchants were supreme. In the commerce with Africa, Spain, and Portugal, the colonial traders and ships had the advantage; but in the commerce with the mother country the English merchants had the main share of the business throughout the colonial period. They had the capital with which to develop the trade, British legislation favored them, and they were located in the country where the colonies, as a whole, sold the major share of their exports and from which the colonists imported most of their manufactures and other supplies. As the eighteenth century advanced, an increasing share of the ships used by British merchants was built in America, and a growing portion of the trade was handled by the colonists; but it was some time after the

close of the Revolution—the last decade of the eighteenth century—before the control of the transatlantic trade of America passed to the owners and operators of American ships. The Napoleonic wars gave American merchants their opportunity, and the establishment of our National Government under the Constitution made it possible for the people of the United States to take advantage of that opportunity.

The British Acts of Trade were a handicap to the colonial merchants in so far as those laws prevented or burdened direct trading of the colonies with non-British countries in the articles "enumerated" in the laws of 1660 and later years. It was the aim of the English merchants—and they were supported by the British Parliament—to handle all of the over-sea trade of the colonies, with such exceptions as the English merchants and government chose to make. The merchants of England had their factors to represent them in the colonies; foreign traders were not allowed to have factors in the British colonies; and it was not expected that the colonists should become merchants. They were to remain fishermen, farmers, planters, and producers of foods and such materials as England required. The enforcement of this policy proved impracticable. Through most of the century following 1660, the Acts of Trade were but intermittently and partially enforced. The colonists took the leading part in organizing and developing their trade. Their commercial as well as their political development was in the main autonomous.

England's import duties on grain and fish and her prohibition of the importation of salted provisions caused the New England and middle colonies to give extra efforts to the development of their trade with the West Indies by means of which they secured coin, bills of exchange, and commodities to send to England for the purchase of manufactures and other necessary supplies; thus, the "corn laws" and other tariffs of the mother country caused the colonies to engage more largely than would otherwise have been necessary in indirect or three-cornered trading. England's policy of protecting her fishermen and her land-owning class, in so far as it hastened the growth of the West Indian trade of the colonies, tended to build up a trade carried on by colonial merchants without competition from those in England and had the effect of making the organization of American commerce increasingly autonomous, or independent of that of England. When Grenville came to try to tax colonial commerce, he was surprised to find that the colonists felt that their commerce was peculiarly their own, something they themselves had built up in their own way, something which they alone ought to tax.

The laws of some colonies made the import duties or the export duties, or both, lighter in the case of trade carried on directly with an over-sea country than in the case of commerce handled indirectly via the port of some other colony or country. Likewise, some colonies

favored domestic ships both by granting their cargoes a reduction in import or export duties and by imposing lighter tonnage taxes on vessels owned within the taxing colony than on ships belonging to non-residents. Each colony that had such laws was trying to assist in building up a trade carried on by its own merchants, in their own ships, and directly with distant markets. The colony was applying to the organization and conduct of its trade the principles of the mercantile system, in so far as the Acts of Trade of the mother country, which were based on the same principle, permitted this to be done by the colony. The colonies derived their commercial theories and practices from England.

By the Revolution, which ended in 1783, the colonies achieved political, but not commercial, independence. Their transatlantic trade continued to be mainly with Great Britain and not with the continent of Europe; and the English merchants, after as before the war, carried on the larger share of the commerce between Europe and America. It was the British traders who had the stock of goods for supplying the American market reopened in 1783 at the close of the long war; and, of course, the imports from England came to the United States in British ships. Moreover, these and other British ships could alone be used by such American merchants as traded in the British West Indies after the Treaty of Paris was signed. When the United States became to Great Britain a foreign nation, the British navigation laws excluded American ships from the trade of the English colonies; and although trade between the United States and the British West Indies did not thereby cease, its growth was hampered and American merchants were handicapped in their competition with those of England, especially until the great war between Great Britain and France made it necessary for the London government temporarily to tolerate the use of American ships in the trade of the British islands.

During 1785 and 1786 there was trade depression in the United States. Business revived during the ensuing three years, but the decentralization of political authority among the States, the absence of a national monetary system, the inchoate international relations, the insufficient supply of capital, and the severity of the competition with the British merchants so hampered the mercantile, the shipping, and the industrial interests as to convince the leaders of America that political integration must precede the satisfactory organization and expansion of American commerce.

American commerce upon an enlarged scale was made possible by the establishment of the National Government and its wise administration under Washington. The constructive work of Alexander Hamilton in emphasizing the necessity of drafting a Constitution that gave the central government effective powers, in persuading the States to adopt the Constitution, and in building solidly the foundations of the fiscal,

financial, and credit institutions of the new nation give him an undisputed place among the greatest of American statesmen. He it was who made it possible for American merchants so to organize and expand American trade during the first two decades of our national life as to enable the United States, in spite of damages done, during the ten years ending in 1815, by French reprisals, British impressment, the unwise embargo and non-intercourse acts, and the three years' war with Great Britain, to gain and hold, during the first half of the nineteenth century, a position in the trade of the world second only to that occupied by the United Kingdom.

DIRECT TRADE WITH THE FAR EAST.

There was one important advance made by American merchants during the critical years intervening between the end of the Revolution and the beginning of the National Government under the Constitution. The East India Company had long held the exclusive right to trade in the British East Indies; and, having this monopoly, the company had little incentive to push the commerce either of the British Indies or of other eastern countries. The Americans saw their opportunity to trade directly with India and China instead of buying East Indian and Oriental products and wares in London after the commodities had been brought there by the East India Company. In 1784, New York merchants dispatched the *Empress of China* to Canton; the following year Elias Hasket Derby, of Salem, sent his *Grand Turk* out to Mauritius, India, and China; and soon Boston and Philadelphia merchants, as well as those of New York and Salem, were carrying on a direct trade with the countries about and beyond the Indian Ocean. The cottons, silks, and teas of India, the teas, silks, and porcelain of China, the spices of the East India Islands, and the many other articles from the East were generally sold in America with large profit to the importers, and this trade helped to build up the fortunes of the first merchant princes of America.

Salem, under the leadership of Derby, was very active in pushing the long-distance trade with regions beyond the Cape of Good Hope. It is stated by Marvin[1] that "of the fifteen American ships at Canton in 1789, five hailed from Salem, and in 1790 there came into port consigned to Mr. Derby 728,000 pounds of China tea." This trade of Salem with the East grew for several decades. At the opening of the war of 1812, that port had 126 vessels in its deep-sea fleet, and of that number 58 were Indiamen.

During the last two decades of the eighteenth century and the first dozen years of the nineteenth, one characteristic of the organization and conduct of American commerce was the prominent place occupied

[1]*The American Merchant Marine*, 198; Marvin's information was gotten from the *Historical Sketch of Salem*, by Osgood and Batchelder.

by the large traders typified by such merchant princes as Elias Hasket Derby, of Salem, and Stephen Girard, of Philadelphia. The activities of such traders as these show that industry had so developed in the United States by the end of the eighteenth century, and capital had so accumulated, as to permit commerce to be organized upon a relatively large scale. It was still handled in small units; but it was widely distributed among the countries of the world; and was carried on, not only by small producers and traders, but also by large merchants, each operating a fleet of vessels and each having more than a local mercantile business.

When Derby died in 1799, he left an estate of a million dollars or more, a large fortune for that day. At one time he owned about 40 vessels, with which he traded in the Baltic, the Mediterranean, the West Indies, India, the East Indies, China, and the Philippines.

Stephen Girard was first a merchant trader, then a banker. He prospered in both lines of business, lived until 1831, and left an estate of $9,000,000. His mercantile activities were carried on mainly between 1780 and 1812. He gave most attention to the West Indian trade, but his vessels were also sent to Europe and the East Indies and China. The captains in charge of his vessels were encouraged to act as roving merchants. This method of carrying on commerce was, of course, practiced by the owners and masters of other ships than those in Girard's fleet; but Girard may be said to have been especially successful in multiple trading. "His vessel went to the West Indies, where cargo was exchanged for coffee and sugar; then proceeding to Hamburg or Amsterdam, the coffee would be sold for Spanish dollars or exchanged for cargo which would secure him at the Spice Islands, Calcutta, or Canton the products of those climes."[1]

APPEARANCE OF THE COMMON CARRIER ON THE SEA.

It was almost two centuries from the termination of commercial monopolies possessed by the trading companies that planted the first colonies in America to the establishment of the Black Ball Line in 1816, the first organized common carrier engaged permanently in the over-sea commerce of the United States. During these two centuries the trader, whether he was a producer or a merchant, was his own carrier. The shipping and mercantile interests were identical, except in so far as the fishermen, lumbermen, and planters sent their commodities to market in their own ships. The merchant trader, by his individual organization and conduct of commerce, built up a large and widely distributed market for American products; and, as the volume of exchanges increased, the most successful traders became the wealthiest men of their time, the merchant princes of the beginning of the nineteenth century.

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[1] J. R. Smith, *The Ocean Carrier*, 92. (The quotation is from Henry Wairey's *Girard College and its Founder*, 16.)

Toward the end of the second decade of the nineteenth century, a new method of carrying on American commerce began to be adopted. It had become possible and profitable for common carriers who were not merchants to perform the service of ocean transportation. When the Napoleonic wars came to an end and the second war of the United States with Great Britain was over, vessels were safe on the high seas. Piracy had been finally exterminated when the American navy brought the Barbary States to terms; and now, in 1815, the privateers were called home, and the long-dreaded warships became the protectors instead of the destroyers of commerce. A common carrier might operate a line of vessels with a regular schedule of sailings without danger of the loss of ships by capture.

Traffic conditions made possible the profitable maintenance of line services between America and Europe. The growth of the United States in population and in industrial activities gave rise to an over-sea trade large enough in volume and regular enough in flow to furnish tonnage and passengers for line ships dispatched on fixed dates. It is the certainty of traffic quite as much as its amount upon which the success of line services depends.

The separation of the trading and transportation services, like other economies in industry connected with the division of labor, required the employment of capital in larger units. It meant changing from small-scale to larger-scale industry in the ocean transportation business. Had it been safe for line vessels on the high seas before 1815, and had the volume and flow of commerce made probable the success of their services, the capital could doubtless have been secured by Americans for the purchase and operation of lines. Certain it is that when the Treaty of Ghent and the battle of Waterloo made the ocean safe, and the revival of industry made the volume of traffic fairly dependable, capital was found for the establishment of ocean lines.

Charter traffic was not of great importance in the seventeenth and eighteenth centuries, nor, indeed, till after the middle of the nineteenth, although the practice of chartering, or hiring, ships is probably as old as that of leasing houses. From the early days of maritime commerce, producers and merchants temporarily in need of vessels have individually or jointly hired ships when they were available. The "adventurers" who financed the planting of the Plymouth Colony purchased the *Speedwell*, but hired the larger ship *Mayflower;* and, it may be remarked incidentally, they criticized the Pilgrims severely (though unjustly) for detaining the *Mayflower* at New Plymouth through the winter of 1620–21 and dispatching her back to England without cargo.

The demand for chartered vessels first became general when industry made possible the importation of crude materials or the exportation of the products of agriculture, mining, or manufacture in full-cargo lots. During the latter half of the nineteenth century, charter traffic came

to be of great volume, and a large amount of capital was invested in "tramp" ships, sail and steam, whose owners, acting as common carriers, secured, with the assistance of ship-brokers, bulk cargoes for the transportation of which the shippers paid stipulated freight rates. In general, it may be said that charter traffic came to be a prominent feature of ocean commerce after merchants ceased to own and operate the ships needed for their trade.

The separation of the services of the carrier and the merchant came about gradually, and began earlier in Great Britain than in the United States. In 1807, the Society of Shipowners of Great Britain published a volume entitled a *Collection of Interesting and Important Reports and Papers on the Navigation and Trade of Great Britain, etc.*, to assist in securing certain desired legislation by Parliament; and the introduction to this book (p. xxvi) contains the following significant paragraph:

> "The Society of Ship-owners think it important to state that the numerous body of Men whose Capitals are embarked at this time in British Shipping are not engaged in other Mercantile pursuits, but depend wholly on the returns they expect to receive from their property so employed. This observation is considered the more necessary from recent inquiries which have been made to ascertain who the Ship-owners were, they never having been before considered distinct from the Merchants, and that the property in Shipping had generally belonged to that very respectable and intelligent class of his Majesty's Subjects."

This would indicate that English merchants and shippers had come to employ common carriers upon the sea to a large extent during the opening years of the nineteenth century; whereas there is no evidence of the successful operation of the common carrier in maritime commerce in the United States prior to 1816, when the Black Ball Line began to run packet ships between New York and Liverpool. Had it not been for the interruption in the commerce of the United States with Europe caused by the embargo and non-intercourse acts of 1807 and 1809 and the war of 1812, it is probable that the period of transition from the era of the merchant carrier to that of the common carrier on the sea would have begun several years earlier in America.

At least two attempts were made before the end of the eighteenth century, one by Englishmen, the other by Frenchmen, to establish line services between Europe and America.[1] The Falmouth Line, with 5 packet ships, began running between Falmouth and New York before the Revolution, but the service was necessarily infrequent during the war and seems not to have become of much importance, even after 1783. When the treaty of 1783 made the United States politically independent of Great Britain and it was supposed that Americans would henceforth trade less with England and more with France, who had befriended them in their war for independence, a French company began running packet ships between l'Orient and New York. Monthly

[1] J. R. Smith, *The Ocean Carrier*, 99.

sailings were announced and passenger, mail, and freight traffic was solicited. It was soon discovered, however, that the trade of the United States was, for the most part, to remain with England. The French line to America soon disappeared. It had less vitality and shorter life than the Falmouth Line; neither succeeded in establishing itself as a common carrier in the trade of America.

The appearance of the common carrier in the maritime commerce of the United States after the war of 1812 meant neither the immediate nor the rapid withdrawal of the merchant carrier. Indeed, there are survivals of the old-time merchant carrier even to-day, although the international trade of the world is now served both by scores of great lines each managing a large fleet of 5,000 to 20,000-ton steamers, and by thousands of chartered sail and steam vessels which, though operated as single units, approach in size and efficiency the ships composing the well-known ocean lines. The world's commerce, however, is no longer handled solely or mainly by the merchant. He shares his task with the common carrier, both being assisted by the ship-broker, the freight-forwarder, the insurance-underwriter, and the international banker The cooperation of these indispensable co-workers with the merchant and the carrier in the present-day conduct of trade is a part of the history of the organization of commerce in the nineteenth century.

PART TWO

INTERNAL COMMERCE OF THE UNITED STATES

By T. W. VAN METRE

CHAPTER XII.

VOLUME AND GENERAL CHARACTER OF THE INTERNAL COMMERCE OF THE UNITED STATES.

Though in its fullest signification the internal commerce of a country embraces every purchase, sale, and exchange of commodities occurring within its boundaries, together with the business of transmitting intelligence and of transporting persons and things from place to place, the term is here taken as referring to the interchange of commodities among the various sections and communities of a country carried on over interior lines of transportation—rivers, lakes, canals, highways, and railroads. In a study of the history of internal commerce, the local exchanges among the individuals of single communities, which would be included within the scope of the broad definition of internal commerce given above, are not of practical significance; and the *business* of the transmission of intelligence and of the transportation of persons and property, though its development is of vast importance in the building up of internal trade, is of itself a subject for incidental consideration. To describe the development of the exchange of products among the various sections of a country is the primary object of a history of internal trade.

Internal commerce can scarcely be said to have existed in America prior to the Revolutionary era. Practically the entire population lived on a narrow strip of territory along the Atlantic Ocean, and about the only domestic commerce of importance was the coasting trade. Even this trade was engaged largely in the distribution of imported goods and in the collection of domestic farm and forest products for exportation, as none of the colonies produced a large surplus of any commodity for which there was a demand in any of the other colonies. After the close of the Revolution, the rapid settlement of the region west of the Appalachian highland and the development of a sectional diversity of occupation—manufacturing in the New England and Middle States, grain-raising in the Ohio Valley, and cotton-raising in the South—gave rise to a large internal trade.

After this beginning, internal trade had a steady and rapid growth. The westward migration never ceased until the occupation of the continent from ocean to ocean was accomplished. The vast extent of territory with its incalculable wealth of natural resources, its plentiful rainfall and wide range of climatic conditions, and its facilities

for manufacturing, yielded a constantly increasing store of wealth to the activities of an energetic and industrious population, and at the same time afforded opportunity for an amazing diversification of industry. The high standard of living of the people created a demand for food, clothing, and many comforts and luxuries more varied than that of any other people. Transportation facilities developed with the spreading of the population and the growth of industry, binding together all the widely separated parts of the large territory, permitting an extensive subdivision and specialization of productive effort, and enabling the inhabitants of each section to secure the products of all other sections and in turn to send their surplus to any market in the country. Increasing with constant acceleration, internal commerce outstripped in magnitude all other lines of industry, and to-day is the best index of the wealth and prosperity of the nation.

The internal commerce of the United States has received far less study than its foreign trade, the spectacular development of which has been the theme of much writing and discussion. But large as the volume of foreign commerce has become, it fades into somewhat small proportions when compared to the stupendous volume of internal trade. Each year the United States produces many billions of dollars worth of exchangeable commodities. A small fraction of the output is exported to foreign countries. The remainder, with the exception of a relatively small portion that is consumed by those who produce it, is bought and sold within the United States. Practically all the goods exported abroad also enter the domestic trade of the nation before they become available for exportation. This great stock of products thus exchanged, together with most of the foreign imports that are resold after entering the country, make up the chief materials of domestic trade. Part of this stock is consumed within the immediate vicinity of the place of its production, but a tremendous amount is distributed throughout the country over the railroads, lakes, rivers, and canals. Adhering strictly to the interpretation of the term "internal commerce" previously given, one may consider these commodities as constituting the materials of the internal trade of the country. By far the largest part of the internal commerce is carried on over the railroads. Each year since 1887 the Interstate Commerce Commission has collected statistics showing the volume of railroad traffic. During the fiscal year ending June 30, 1910, the traffic originating on the various railroads of the country amounted to 1,026,491,782 tons. Complete statistics of the volume of traffic carried by water within the United States are not collected. In 1906, however, the Bureau of the Census, after a careful inquiry, estimated that the total volume of the internal trade by water amounted to 107,410,495 tons, divided as follows:

	Tons.
Great Lakes and St. Lawrence River	75,609,649
Mississippi River and its tributaries	27,856,641
All other inland waterways	3,944,655
Total	107,410,945

Allowing for no difference in the volume of traffic in inland waterways between 1906 and 1910, the entire rail and inland water traffic for the latter year amounted to 1,133,902,727 tons.

It is impossible to give an accurate statement of the value of this traffic. Contrary to its practice in regard to foreign trade, the value of which is reported annually with great detail, the Government makes no attempt to ascertain the value of the larger and more important domestic trade. It is probable that the value of the internal traffic for 1910 amounted to something more than $30,000,000,000, a sum ten times the value of the foreign trade of the United States, and almost as large as the value of the foreign trade of the entire world.

Internal commerce, like foreign trade, arises because of the natural and acquired differences in the productive capacities of separate communities so situated that the inhabitants of one community are able to secure needed commodities, for which they have inferior advantages for production, in exchange for articles the production of which is favored by the conditions in their particular locality. With a growing ease of interchange among neighboring regions, productive effort tends to a greater specialization, which in turn is reflected in a larger and larger trade. In the United States, where great diversities of climate and resources favor a wide variation of production, this principle of commercial growth has been fully exemplified. Adapted naturally or artificially to certain lines of activity, different sections of the country have become more or less specialized, and this localization of trades and occupations has been the most important of the factors determining the general character of internal trade.

For convenience the United States may be divided into five sections, distinguished from one another on the basis of industries which constitute the primary source of their economic prosperity. Geographically these sections may be designated as the Northeastern States, the Southern States, the Central States, the Rocky Mountain States, and the Pacific States. No one of these sections is economically self-sufficing, but each depends more or less upon all the others for various commodities to support its economic welfare. A review of the principal resources and characteristic industries of each section and a brief description of their most important commercial relations will indicate the chief features of the internal trade of the entire country.

RESOURCES AND INDUSTRIAL CHARACTERISTICS OF DIFFERENT SECTIONS OF THE UNITED STATES.

The Northeastern States include all the States north of North Carolina and east of Ohio and Kentucky. The principal industries of this section are manufacturing and mining. The great manufacturing industries of these States are chiefly accountable, directly and indirectly, for the extensive trade with the other sections. By far the largest part of the raw materials for the many large manufacturing establish-

ments are brought from a distance. The chief sources of iron ore are the mines around the western end of Lake Superior, whence millions of tons are transported each year by lake vessels to ports on Lake Erie to be carried by rail to the furnaces of Pennsylvania and New York; all the cotton and most of the wool used in the textile mills are shipped in from the South and West; and many other industries, too great in number to be given here, in a similar way draw their raw products from the other sections. The finished products of the mills are marketed everywhere throughout the country. Tools, machinery, steel rails, and structural iron from the iron and steel mills, and the fabrics, clothing, carpets, and rugs from the cotton and woolen mills of these States are sold in every State in the Union.

The concentration of population brought about in this section by the growth of manufacturing is also a reason for its large trade with other States. Though agriculture holds a place of importance among the economic interests of the Northeastern States, and dairying, truck-farming, and mixed farming contribute a large supply of food for the inhabitants of the numerous urban centers, they are entirely inadequate to supply the total amount of food required, and a large part of the subsistence of the population is drawn from the States farther west.

Considerably more than one-half the tonnage of the coal mined in the United States is secured in this section and the distribution of a large part of the output among these States forms an important part of their commerce. Moreover, large quantities of coal are shipped west and south. Both anthracite and bituminous coal are shipped by rail or by rail and lake to all Central States east of the Mississippi River, and a large tonnage of soft coal is shipped in barges down the Ohio and Mississippi Rivers. The oil-refineries of this region secure crude petroleum from nearly all the oil-fields of the country and ship its various refined and finished products to many markets among the other sections.

In addition to the large commerce in all the important domestic products of the United States, which are shipped in and out for home consumption, the Northeastern States possess the ports through which is handled the major portion of the foreign trade of the nation. A heavy tonnage of agricultural produce, cereals, cotton, fruit, animals, and provisions, and a large amount of manufactured goods move from the interior to the North Atlantic ports for exportation to European countries and all other parts of the world. Through New York alone one-third of the outbound foreign commerce of the country passes, and Baltimore, Boston, and Philadelphia handle a sixth. The import trade is concentrated to an even greater degree within this section. Three-fourths of the importations into the country come through the four cities just named, New York alone handling six-tenths of the total. The commodities brought in are of a wide variety and of great value, and their distribution constitutes an important part of the internal trade of the eastern seaboard cities.

The Southern States, including all the States lying south of the thirty-seventh parallel of latitude, between the Atlantic Ocean and the western boundary of Texas, have long followed as their chief industry the cultivation of cotton. The importance of cotton-raising in this section has greatly influenced the history of the internal trade of the United States. The almost exclusive devotion of the South to this great staple for a long time compelled the dependence of that section upon the Northern States for practically all its manufactured necessities and a large part of its food-supply. At the same time the southern cotton was a necessary factor in the development of the extensive textile industries of the North, especially in the New England and Middle States. The rail shipments of cotton to northern mills make up a large part of the trade of the Southern States; large quantities of this valuable commodity are also shipped by rail to every important port of the Pacific and North Atlantic States for exportation; and still larger amounts are concentrated at the south Atlantic and Gulf ports for the coastwise and foreign trade.

Within recent years there has been a notable development of cotton manufacturing in the Southern States themselves, and their mills are now consuming more cotton each year than the mills of the North. The expansion of these manufactures has caused a decline in the trade in raw cotton in a few States, but the loss has been more than compensated for by the added commerce in food and manufactured products occasioned by the change.

The industrial and commercial life of the South has been further modified in recent years by the development of its mineral resources. The coal fields of Alabama, Tennessee, Missouri, and Oklahoma contribute a large amount of fuel for distribution among the States composing this section, and the iron mines of Alabama and Tennessee now form the basis of large iron and steel industries in those States. The phosphate beds of Tennessee, South Carolina, and Florida supply valuable fertilizing material which enters both foreign and domestic trade. The oil-fields of Oklahoma and Texas are among the most productive in the country.

The lumber production of the Southern States has grown to such an extent that this section now outranks all other lumber-producing regions of the country in the value and quantity of the annual cut. The yellow-pine belt extending along the Atlantic Ocean and Gulf of Mexico from North Carolina to Texas furnishes lumber in large amounts for all the Northern States, as well as a large quantity of naval stores; and the hardwood forests lying north of this belt have given rise to an extensive milling industry, the products of which are widely distributed throughout the North and South.

Though cotton, forest products, and petroleum are the most important commodities shipped from the South to other parts of the country,

many other articles add to the commerce between this section and the other States. Tropical fruits from Florida, sugar from Louisiana, rice from the lowlands on both the Atlantic and Gulf coasts, tobacco from North Carolina and Tennessee, live-stock from Texas, and large quantities of fresh vegetables and fruit from several of the States are sold in all parts of the North, and help to pay for the heavy return shipments of food products, manufactures, and general merchandise.

The Central States lie north and west of the two groups just discussed, extending westward to the eastern boundaries of Montana, Wyoming, and Colorado. This group forms a great cereal and live-stock belt, and it is the principal food-producing region of the country. The spring wheat of the Dakotas, Minnesota, and Wisconsin and the winter wheat of the remaining States of this section furnish flour for millions of people in the United States and in foreign countries; and the immense corn crops of the States south of the forty-third parallel of latitude are used to fatten thousands of hogs and cattle which are converted into various food products. Other cereals, such as oats, barley, and rye, potatoes and other vegetables, all kinds of orchard fruits, and large quantities of butter, cheese, poultry, and eggs are also produced in this region for local consumption and shipment to other sections. The collection and distribution of a large part of the agricultural produce of these States and of the States of the Southern and Rocky Mountain groups are accomplished by a number of large cities on the Great Lakes and on the Mississippi, Ohio, and Missouri rivers. The trade of these great primary markets is one of the most important features of the internal commerce of the country, and the traffic moving between this section and the Northeastern States makes up a large proportion of the total internal trade.

Though agriculture is the leading industry of this group of States, manufacturing is of almost equal importance. Practically all the products of the farms must be changed in form before they are ready for sale to the final consumers, and the preparation of raw food products for wholesale and retail markets is a notable feature of the industrial activity of this section. Slaughtering and meat packing, milling, canning and preserving, and the manufacture of butter and cheese are leading industries of this nature. Agricultural development has also led to an extensive manufacture of agricultural implements. Other kinds of manufacturing industries not closely related to agriculture have also been developed, especially in the eastern part of this section, which now rivals the Northeastern States as a manufacturing center. The easy access which Chicago and the surrounding region have to the coal fields of Illinois and Indiana and to the great iron-ore ranges around Lake Superior makes that district an ideal place for the location of iron and steel mills; and Ohio, too, has large industries of this kind. Other mineral resources of petroleum, copper, stone, lead, and zinc are

the basis of manufacturing industries; and abundant forest resources have led to the establishment of many lumber mills and factories for the production of all kinds of articles of wood. This section shares with the Northeastern States the business of supplying the South and West with many manufactured commodities.

The Rocky Mountain States—Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona, and New Mexico—have for their fundamental industry the production of wool and live-stock. Over one-half of the sheep of the United States are to be found in these eight States. The wool from them is practically all used in the textile industries of the Northeastern States. The cattle are shipped both to the live-stock markets of the Central States and to the larger cities on the Pacific coast.

The mineral resources of these States make up a large part of their wealth. The census of 1910 ranks Colorado sixth and Wyoming eleventh among the States according to the value of bituminous coal produced. Gold and silver are found in greater or less quantities in every State of this group; nearly two-thirds of the total output of copper of the country is mined and smelted in Montana, Arizona, and Utah; and extensive deposits of iron ore are to be found, the most important being in Colorado.

The arid climate of this region will always prevent the development of agriculture to the extent reached in other sections of the country, but irrigation is now converting into productive farming land many large tracts that were once barren. The reclamation of still more of the "Great American Desert" is only a question of time and, as the movement continues, the population and wealth of this section will grow and its commercial importance increase.

The Pacific States are still primarily agricultural. Like the Rocky Mountain States, they secure most of their manufactured goods and merchandise from the Central and Northeastern States. Wheat, barley, live-stock, beet-sugar, fruits, and lumber constitute the basis of their industrial and commercial prosperity. A portion of their surplus is shipped by sea across the Pacific Ocean and to the lands bordering the Atlantic Ocean, but a still larger part finds its way by rail to markets in the States east of them. The fruits of California and the lumber and shingles of Washington and Oregon form the most valuable part of the traffic moving eastward from this section. The market for orchard and vineyard products includes the entire United States, and the market for timber products is spreading rapidly eastward as the depletion of the forests of the Central and Southern States goes on. The grazing industry and the fisheries of the Pacific States are also a source of a valuable eastbound traffic. The coal of Washington and the petroleum of California are important articles of trade within this region.

The rapid growth of the foreign trade with the Orient has added greatly to the commercial prosperity of the Pacific Coast. Through its ports are handled raw cotton, manufactures, and food products sent from the States east of the mountains for exportation, and the imports from the transpacific countries entering these ports for shipment to eastern points over the transcontinental railroads are an even larger source of traffic.

TONNAGE OF INTERNAL COMMERCE BY RAIL.

In the volume of statistics published annually by the Interstate Commerce Commission an analysis of the railroad freight traffic is presented which gives, as far as is practicable to do so, the character of the freight transported within the United States and also indicates the territory

TABLE 11.—*Railroad tonnage by groups of commodities, 1910.*

Class of commodity.	United States.		Division I. Territory north of Ohio and Potomac Rivers and east of Illinois and Lake Michigan.		Division II. Territory south of Ohio and Potomac Rivers and east of lower Mississippi River.		Division III. Territory west of Lake Michigan, Indiana, and lower Mississippi River.	
	Tonnage reported as originating on line.	Percentage of aggregate.	Tonnage reported as originating on line.	Percentage of aggregate.	Tonnage reported as originating on line.	Percentage of aggregate.	Tonnage reported as originating on line.	Percentage of aggregate.
Products of—								
Agriculture..	78,736,587	8.13	20,814,209	4.42	9,913,080	6.79	48,009,298	13.67
Animals.....	20,294,144	2.10	7,402,683	1.57	1,083,606	.74	11,807,855	3.36
Mines........	544,604,373	56.23	291,210,129	61.80	79,201,479	54.24	174,192,765	49.60
Forests......	113,010,825	11.67	23,988,412	5.09	30,561,411	20.93	58,461,002	16.64
Manufactures....	139,678,391	14.42	90,419,841	19.19	16,302,043	11.16	32,956,507	9.38
Merchandise.....	35,718,413	3.69	13,780,911	2.92	5,188,786	3.55	16,748,716	4.77
Miscellaneous....	36,421,276	3.76	23,597,090	5.01	3,778,254	2.59	9,045,932	2.58
Grand total.	968,464,009	100.00	471,213,275	100.00	146,028,569	100.00	351,222,075	100.00

in which the traffic originates. Table 11 shows the results of the analysis of the railroad freight business for the year ending June 30, 1910. A little more than 94 per cent of the total tonnage for the year is included within the classification.

It will be seen from the table that mineral products, chief among which are coal and ore, constitute more than half of the freight tonnage of the railroads, though this traffic takes a much lower rank in value than the other important classes of goods. Manufactures, forest products, and farm products rank next, in the order given, in the amounts of tonnage contributed. The sectional classification of the traffic shows little that has not been indicated in the preceding discussion of the resources and industries of the country. Division I, including the Northeastern States and the eastern half of the Central States, contributes almost half of the total classified traffic, practically two-thirds of the total manufactures, and more than one-half of the

minerals transported. In Division II the products of agriculture seem of less importance than they really are, chiefly because cotton, the most important agricultural product of the section, is relatively light in weight. In Division III the products of the farms—cereals, flour, hay, fruits and vegetables, animals, and the various animal products—constitute the traffic of greatest volume next to minerals.

The traffic on the inland waterways of the United States consists, even to a greater extent than does the railroad traffic, of low-grade, bulky commodities. On the Great Lakes, which form the most important waterway, iron ore and coal make up the largest part of the tonnage; but large quantities of cereals and flour are also transported on these bodies of water, and lumber, manufactured goods, and merchandise are items of considerable importance. Of the traffic on the Mississippi River system, the proportion of low-grade freight is probably higher than the proportion on the Great Lakes. The coal carried on the Ohio River and its tributaries is the most important single item from the standpoint of tonnage.

CHAPTER XIII.

EARLY DEVELOPMENT OF THE INTERNAL COMMERCE OF THE UNITED STATES, 1789 TO 1830.

At the beginning of the national era the internal commerce of the United States gave small promise of the tremendous development it was to undergo during the ensuing century. There was as yet too little sectional differentiation of occupation to give rise to a large interstate trade in native products, and the proximity of the great part of the population to the seacoast made it cheaper and more convenient to carry on the interstate trade that did exist by means of small sailing-vessels plying along the coast. Practically all the internal trade was devoted to bringing the surplus agricultural produce of the interior to the seaport towns, where it was exchanged for imported wares that could not be produced by the inhabitants of the inland region but which were necessary to their welfare. The domestic commodities collected at the seaports were nearly all exported to foreign countries.

As is usual in a new country, the settlers who had first pushed into the interior had founded their new homes close to the rivers, and these natural highways had always been and still were the most important means of transportation to and from the seacoast. The most important of the rivers flowing into the Atlantic Ocean were the Hudson in New York, the Delaware between Pennsylvania and New Jersey, the Susquehanna in western New York, Pennsylvania, and Maryland, and the Potomac and James in Maryland and Virginia. Other rivers, now considered unnavigable, were continually used at this period, the Connecticut, Roanoke, Savannah and other smaller streams being but little less important than the large rivers. The Mississippi River having been closed to the people of the United States soon after the Revolution, the great western system of inland waterways was of little commercial value, but the current of the Ohio was being used to bear thousands of emigrants to their new homes in the West.

At the mouths of the larger streams that flowed into the Atlantic were to be found the large and wealthy cities, where enterprising men were already laying the foundations of large fortunes in a lucrative and rapidly growing export trade in the agricultural produce that was

floated down from the farms of the interior. Philadelphia, connected with the sea by the readily navigable Delaware River and Bay, exported large quantities of meat, grain, flour, and lumber, collected from Pennsylvania, New Jersey, and Delaware, and sold to the inhabitants of these States thousands of dollars worth of imported goods. New York received, by the sloops and arks of the Hudson River, the raw produce of the Hudson and Mohawk Valleys; the lumber, pot and pearl ashes, grain, meat, and dairy products coming down the Connecticut River from as far as the Canadian border were often carried through Long Island Sound to New York to be exported abroad. In a similar way, Baltimore was the center for the collection of the products from the lands around the upper part of the Chesapeake Bay and from the extensive territory drained by the Susquehanna, even the farmers in the distant region of western New York utilizing this city as the outlet for the surplus of their crops and the source of their imported necessities. In the South, where the plantation system of farming prevailed, the practice of carrying on foreign commerce from the wharves of the plantations themselves had prevented the development of cities of a considerable size; but the settlement of the higher country for the cultivation of upland cotton indicated that the old methods of trade were soon to become obsolete.

INLAND TRANSPORTATION.

Living close along the ocean, whose numerous excellent harbors and long stretches of sheltered water gave ample facilities for the little intercolonial trade that existed, and where rivers afforded natural means of transportation from the interior to the towns upon the coast, the people of early colonial days had not found it necessary to give much time to the construction of roads. The gradual inland movement of the population and the settling of lands back from the edges of the rivers had finally compelled them, however, to give more attention to the means of land transportation. Rude earth roads were built to replace the old Indian trails through the forests. These roads were unspeakably poor—sloughs of mire during the thaws of winter and spring and thick with dust in the summer; but bad as they were, they carried a large traffic and their use was steadily growing. Dwight[1] told how tinware peddlers from Berlin, Connecticut, made their way in carts and wagons to every section of the country from Maine to Georgia. It was possible to carry freight overland from Boston to Savannah, but the trip consumed 115 days and the cost was enormous. Genet, in 1793, traveled by coach from Charleston to Philadelphia; and Washington, during his administration, traveled by land through every State in the Union.

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[1] *Travels in New England and New York* (1797), II, 43-45. Quoted by Callender, *Economic History of the U. S.*, 302.

Three great roads had been built into the western country: one up the Mohawk Valley into western New York, and two across the Allegheny Mountains—the Forbes or Pennsylvania road from Philadelphia to Pittsburgh, and the Wilderness road, over which the early settlers of Kentucky had threaded their way up the Shenandoah Valley and through Cumberland Gap to the southern banks of the Ohio River.[1] The Mohawk Valley road carried great quantities of grain to the city of Albany; the Pennsylvania road was traveled by thousands of emigrants starting for the lands on the Ohio, and by long trains of pack-horses and wagons bringing such of the produce of western Pennsylvania as could afford the cost of carriage to the markets of Philadelphia. In the South, the roads were poorer than in the North. Tobacco and cotton were much lighter than the grain and other products of the northern farms and could be transported with greater ease. Much of the tobacco was hauled over "rolling roads," shafts being attached to the ends of a hogshead and a horse used to roll it over a rough, narrow track to some wharf on an inlet or river.

Inland towns were beginning to grow up at the focussing points of the country roads, and the owners of the general stores at such places, where sugar, tea, coffee, molasses, cloth, hardware, metals, and earthenware were freely bartered for grain, meat, poultry, cheese, butter, candles, fruits, vegetables, and rude articles of domestic manufacture, derived large profits out of their position as middlemen between the producing farmer and the importing and exporting merchant at the nearest seaport. Especially if such inland towns were situated on the navigable streams they assumed an appearance of affluence and prosperity. The citizens of Albany, which was a market for furs and skins from Canada, for lumber from the mountains, and for the grain from the "rich and splendid valley already famous for its wheat fields and corn fields and rye,"[2] had long been boasting about the commercial future in store for them. Springfield, Massachusetts, was a thriving market-town on the Connecticut River. Lancaster, Pennsylvania, was the largest inland town not situated on a waterway, and the highway between it and Philadelphia probably carried more traffic than any other road in the country. This highway, by 1792, had been converted into a turnpike, the first in the United States. Winchester, Virginia, had several grist mills grinding up the wheat of the surrounding farms, and teams were "constantly employed in the transportation of flour to Alexandria,"[3] 80 miles away, at a cost of carriage of $1.25 a barrel.

The transportation facilities of the time, however, were entirely inadequate to the needs of the country, and the lack of better means

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[1]For map of roads in 1787 see Avery, *Hist. of the U. S. and its People*, VI, 410.
[2]McMaster, *History of the People of the U. S.*, I, 58.
[3]Coxe, *View of the United States*, 314.

for getting products to market was a serious impediment to internal development. Tench Coxe, writing in 1792, graphically pictured the plight of many of the people when he said:

"To a nation inhabiting a great continent not yet traversed by artificial roads and canals, the rivers of which above their natural navigation have been hitherto very little improved, many of whose people are at this moment closely settled upon lands, which actually sink from one-fifth to one-half of the value of their crops in the mere charges of transporting them to the seaport towns, and others of whose inhabitants cannot at present send their produce to a seaport for its *whole* value, *a thorough sense of the truth of the position* is a matter of *unequalled* magnitude and importance."[1]

Especially was the communication between the Ohio Valley and the outside world difficult and expensive. Washington, recognizing the desirability of means of cheap transportation across the mountains, had, in 1785, succeeded in securing the meeting of a commercial convention to settle problems of river navigation preliminary to the construction of a canal between tributaries of the Potomac and Ohio Rivers. The negotiations of this convention, however, had been diverted to a larger and more important matter than that for which it was originally called, and the question of a canal between the eastern and western country was temporarily forgotten. Agitation for such a canal had been renewed during 1789 and 1790, but nothing was accomplished in this direction until long after the war of 1812.

The natural outlet for the surplus of the Ohio Valley was the Mississippi River. During the Revolutionary War the Spanish Government had given the people of the United States the right of free navigation of the river and a brisk trade had sprung up between the western settlements and New Orleans; but in 1784 Spain had suddenly withdrawn the right of free navigation and had imposed exorbitant tolls and duties on all vessels descending from the United States. The people of the West, enraged at being deprived of what they considered to be their natural right, protested furiously at the action of the Spanish government and appealed to Congress for protection. Their appeals were unavailing; Congress not only failed to take steps to open the river again, but in 1786, under the domination of the commercial interests of the East, was on the point of bartering away, for a period of twenty-five years, all claims to a right to navigate the Mississippi, in return for Spanish concessions in regard to the Florida boundary. Fortunately, this deal was never made, but the river remained closed in spite of the protests and threats of the western farmers. The only market left to them was in the cities of the eastern coast. Peltries, ginseng, and whisky were almost the only products of the West that would pay their cost of transportation overland to Philadelphia, and the proceeds derived from the sale of these were sufficient only to purchase a few

[1]Coxe, *View of the United States*, 384.

things of first necessity, such as salt, gunpowder, and some indispensable articles of iron. When the new government placed the excise tax on whisky, which was practically the only form in which the farmers of western Pennsylvania could profitably take their grain to eastern markets, a storm of rebellion arose in Fayette, Washington, Westmoreland, and Allegheny counties that indicated how precarious their situation really was and how slender were the bonds that united them to the rest of the country. The prices of the agricultural products of the West were absurdly low, a cow and a calf being given in exchange for a bushel of salt.[1]

Shut off as they were from commercial intercourse with the rest of the country, the inhabitants of the inland communities were forced to rely upon their own efforts for the production of nearly everything that they used. In the interior counties of all the Southern States the household manufactures consumed were much greater in amount than those imported. Out of 130 families in Pittsburgh in 1790, there were 37 "manufacturers."[2] Clothing, hats, and shoes were made in nearly all homes, iron furnaces were opened in the vicinity, and in a few years nails, wire, guns, and agricultural implements were being manufactured in western Pennsylvania. In 1796 Brownsville had 24 grist, saw, oil, and fulling mills, as well as one mill for the manufacture of paper, and each year 100 boats of 20 tons each were constructed for the emigrants to Kentucky.[3] By reducing their raw materials to a manufactured state, the people were able to avoid the importation of many wares, and in face of heavy transportation charges to the eastern markets could export some of their surplus. After the suppression of the whisky rebellion, many Pennsylvania farmers turned their attention to raising cattle and hogs, which could furnish their own transportation to market and thus afford a way of disposing of otherwise useless grain.

OPENING OF THE MISSISSIPPI AND THE PURCHASE OF LOUISIANA.

The closing of the Mississippi, however, had been a deadly blow at the prosperity of the western country. The bitter resentment that the people had felt against the old Congress, which had allowed them to be deprived of the right to unhampered navigation of the river, was readily transferred to the new government. This resentment grew still deeper when a temporary opening of the river, brought about in 1789 by the treasonable negotiations of James Wilkinson with the Spanish authorities, demonstrated what splendid opportunities for rich profits really existed in free trade with New Orleans. The trade in 1789 was of but short duration. Almost immediately the people of the United States were forbidden to sell goods in New Orleans and the vexatious regulations and heavy tolls were again imposed upon vessels

[1] Roosevelt, *Winning of the West*, I, 116, 122.
[2] Bishop, *History of American Manufactures*, I, 568. [3] *Ibid.*, II, 67.

passing to the Gulf. Some men in Pittsburgh and Marietta built sea-going vessels, loaded them with pork, flour, and grain, and, submitting to the exactions and duties imposed in Louisiana, made the voyage to St. Thomas and disposed of their cargoes, after which they brought the vessels to Philadelphia, sold them, and returned overland to Pittsburgh. Such enterprises could be indulged in but seldom, however, and even then could be shared by but a few persons. The people angrily demanded of Congress whether it intended to abandon or protect the West, a half-organized movement was put on foot to compel the Spaniards to open the river, while the irksomeness of the situation drove many to talk openly of secession from the United States and union with the Spanish province. Spurred to action by the insistent clamor of the Western people and fearful of the results which might occur if their demands were neglected, the National Government at length made a determined effort in their behalf, and, in October 1795, secured a treaty with Spain opening the river to navigation. The "right of deposit" was given at New Orleans for a period of three years, with the stipulation that, if not continued there, an "equivalent establishment" would be assigned on another part of the banks of the Mississippi.

The successful conclusion of the negotiations was hailed with great rejoicing in Tennessee, Kentucky, Pennsylvania, and Ohio. Fleets of flat-boats and keel-boats loaded with tobacco, pork, flour, grain, whisky, and brandy began to come down the river. After disposing of both cargo and boat at New Orleans, the owner would sail for Philadelphia or Baltimore, there lay in a supply of calicoes and other manufactured goods, and finish the journey home by wagon or on horseback, arriving six months after his departure. Very seldom did any one attempt to urge a craft up-stream against the powerful current of the Mississippi. In the earlier days, when the northern part of the Mississippi territory was held by the Indians, the journey by land from New Orleans to the Ohio was rarely made, but later this method of reaching home became popular with the flat-boat men, the route across Lake Pontchartrain and through Nashville being generally used. The hazard and exposure connected with the trip down the river and the wearisome journey home would seem to have been sufficient to prevent the New Orleans trade from attaining great dimensions, but the hardy pioneers of the West were not to be daunted by the hardships involved in the undertaking. The river trade grew rapidly, and in 1799 goods worth more than $1,000,000 were received at the Louisiana port from the country up the Mississippi.[1] Now that the western farmers had a

[1]Although New Orleans was on Spanish territory, but a small part of this commerce was strictly "foreign," because of the existence of the "right of deposit." The trade down the river was analogous to the trade of inland districts of the Atlantic coast with the seaport cities, New Orleans bearing the same relation to Kentucky and Tennessee that New York did to the valley of the Hudson.

market for their heavy agricultural products, the cost of transporting to which did not exceed the value of the commodities, they secured to some extent that which before they had scarcely possessed at all—a purchasing power. This enabled them to satisfy to a certain degree their desire for the lighter manufactured articles of cloth and leather which, notwithstanding the distance and the inferior roads, could be carried to them in wagons from the eastern cities. The rising prosperity in the West stimulated business in the East; nearly all the money received by the flat-boat men at their southern market found its way into the pockets of the merchants of Baltimore and Philadelphia. Indeed, there was an incessant complaint in the West because the farming sections across the mountains were constantly drained of specie by those two cities.

Meanwhile, the eastern section of the United States began to develop strongly those conditions indispensable to the rise of a true domestic commerce—the exclusive devotion of different parts of the country to particular lines of industry and the mutual dependence upon one another for the commodities the production of which is abandoned. The invention of the cotton gin decided the future of the South. South Carolina and Georgia began at once to depend upon the neighboring States for the provisions formerly raised at home. Under the fostering care of the protective policy adopted by the new government, the manufacturing industries of the Northern States, which had received a start after the outbreak of the Revolution, increased in size and variety. This sharp differentiation of interests was immediately reflected in the growing coasting trade, the tonnage employed in which increased from 103,775 tons in 1790 to 272,492 tons in 1800. Transportation by land, however, was far too expensive to compete for long-distance commerce, and very little of the trade among the Atlantic States was conducted over internal routes of communication.

Between 1790 and 1800 the United States enjoyed, because of the European wars, a considerable commercial prosperity. Business conditions in the East being good, emigration to the West had been checked, and, except in the States of Kentucky and Tennessee, which absorbed more than three-fourths of the 150,000 emigrants of the period, the population west of the Alleghenies had showed but small absolute increase. In the following decade, during which the foreign trade received several severe setbacks, the emigration to the West set in very strongly. The population during the twenty years increased as shown in table 12.[1]

The number of people west of the Appalachian Mountains tripled in ten years, and by 1810 was 1,078,315, exclusive of several thousand in western Pennsylvania and Virginia. The movement toward the newly

[1]Twelfth Census of U. S., 1900. *Population*, pt. i, p. xxii.

opened lands in Mississippi and Louisiana was well under way, though it did not begin to take on large proportions until ten years later.

The trade down the Mississippi had continued to grow. In 1802 the shipments from American territory down the river amounted to \$2,634,564, of which \$1,182,800 came from Kentucky and \$700,000 from Pennsylvania and Ohio.[1] In October of that year, the Spanish Intendant at New Orleans, acting upon his own initiative and responsibility, suddenly withdrew the right of deposit at the city, granted to the United States in 1795, and, contrary to the provisions of the treaty, he refused to assign an equivalent establishment at any other place on the banks of the river. The Western people were enraged, and it was necessary to send troops to Kentucky to prevent an armed expedition against the Spanish province. Cries of "No protection, no allegiance" were again poured into the ears of the Washington officials.

TABLE 12.—*Population of the Western States and Territories, 1790, 1800, 1810.*

State.	1790	1800	1810
Kentucky	73,677	220,955	406,511
Tennessee	35,691	105,602	261,727
Ohio	......	45,365	230,760
Indiana	......	5,641	24,520
Illinois	......	......	12,282
Mississippi	......	8,850	40,352
Louisiana (Missouri)	......	......	20,845
Territory of Orleans (Louisiana)	......	......	76,556
Michigan	......	......	4,762

Fortunately, the Spanish Government disavowed the action of the Intendant, and, in April 1803, the river commerce was restored to its former basis. Desirous of avoiding such difficulties in the future, Jefferson pushed negotiations already begun with Napoleon (to whom Spain had secretly ceded her claims to Louisiana) for the purchase of New Orleans and the territory through which the river flowed from the possessions of the United States to the Gulf. The negotiations terminated in October 1803, with a wholly unexpected and surprising result—the purchase of the entire Louisiana province. In December, the United States took possession of the newly acquired territory. Not only was the undisputed control of the Mississippi secured forever, but the area of the Republic was doubled. The peaceful continuance and growth of the existing river trade were assured to the inhabitants of the West, and the basis was laid for a future internal commerce which was far to outstrip their most sanguine expectations.

The receipts at New Orleans in the years immediately following the Louisiana purchase, though not exhibiting the increase that was expected, rose to \$5,370,555 in 1807. This included sugar, cotton, and

[1] *Report on Internal Commerce of U. S.*, 1887, p. 183.

molasses of Louisiana, which commodities made up a third of the entire amount. Shipments up the river were very small, employing less than 10 per cent of the tonnage used in the traffic downstream. It took 30 men over three months to work a loaded flat-boat from New Orleans to the mouth of the Ohio, and the freight rates were greater than those on traffic carried by wagons from Philadelphia to Pittsburgh in twenty days. Until after 1817, the entire commerce from New Orleans to the upper country was carried on by means of 20 barges averaging one trip each a year. The money for which the products of the western farmers was exchanged at New Orleans was invariably spent for manufactured and imported wares from the eastern cities. The large Conestoga freighters, drawn by 6 to 10 horses and capable of carrying 2 and 3 tons, made regular trips from Philadelphia to Pittsburgh, bringing loads of hats, boots, powder, lead, and clothing, which were distributed from the "Gateway of the West" among the towns and villages down the river. Baltimore, too, had a large western trade, and New York, notwithstanding its greater distance away, was beginning to engage in it, and by a sharp cutting of freight rates was soon able to secure a considerable share of the traffic.

INTERNAL TRADE IN 1810.

The internal commerce of the country in 1810, as in 1790, was still handicapped by the fearfully high costs of transportation. An era of turnpike building that was to last for forty years began in 1790, and the problem of land carriage for those regions close to the seacoast or the navigable streams of the East had been almost eliminated; but turnpikes were unable to afford cheap carriage for long distances. The charges to send goods by wagon were enormous.

"To haul a ton from Philadelphia to Pittsburgh, an all-land route, cost \$125. . . . To move a bushel of salt 300 miles over any road cost \$2.50. . . . Taking the country through, it may be said that to transport goods, wares, or merchandise cost \$10 per ton per 100 miles. Articles which could not stand these rates were shut from the market and among these were grain and flour, which could not bear transportation more than 150 miles. The causes of these rates were the terrible state of the roads and the high rate of tolls."[1]

The Western States found the outlet for their produce in one direction and the source of their supplies in another, the difficulties of transportation giving to the commerce of the Ohio Valley a peculiar triangular character, which was retained for a half century. The States bordering along Canada turned to Montreal and Quebec for a market, the freight rates from Buffalo to Montreal being \$30 per ton, and from Montreal to Buffalo \$60 to \$75 a ton, while the rates from Buffalo to New York were \$100 per ton.[2] Western New York became entirely

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[1]McMaster, *History of the People of the U. S.*, III, pp. 463-464. For statement of cost of transportation during this period consult documents appended to Gallatin's "Report on Roads and Canals," *American State Papers, Miscellaneous*, I, 724.

[2]Poor, "Railroads and Canals in the United States," in Andrews, *Report on Colonial and Lake Trade*, 278; see also Callender, *Economic History of the U. S.*, 326.

separated commercially from the eastern part of the State, and not only were the various sections of the country developing local and sectional economic interests, but local political interests as well. "The economic question of the hour was plainly how to counteract this tendency by a system of interstate commerce which should unite them with a firm bond of self-interest."[1] Gallatin's report on internal improvements in 1808 reflected the plans and ambitions that were in the minds of the commercial and political leaders of the country, but unfortunately the foreign controversies in which the United States became involved at that time prevented any attempt to carry out his proposals.

The only products of the farmer, the marketing of which was not greatly interfered with by the excessive costs of land transportation, were his live-stock. The whisky rebellion had given a great impetus to the business of stock-raising in western Pennsylvania, and the industry had readily taken root in all parts of the Ohio Valley. The abundance of mast in the large forests and later the cheapness of corn made hog-raising in particular a profitable occupation in Ohio, Kentucky, and Indiana. Until after 1812 many of the cattle and hogs of the West were driven to Baltimore and Philadelphia to be slaughtered for the domestic and foreign provision trade and to supply hides for the manufacture of leather goods in New England. It was estimated that over 100,000 hogs were driven east annually from Kentucky alone; herds of several hundred cattle and droves of 4,000 to 5,000 hogs were no uncommon sight to travelers on the highways leading across the mountains to the eastern markets.[2]

The manufactures of the United States, which had grown but slowly since 1790, were tremendously stimulated by conditions resulting from the interruption of foreign trade in 1808 and 1809. Not only were importations reduced, but a great deal of capital was transferred from commercial operations to manufacturing. Scores of people in Massachusetts, Rhode Island, and other States turned from the sea to secure their livelihood in the new establishments erected for the manufacture of cotton and woolen goods, iron, wood, glass, hardware, leather, and pottery. In 1810 the census marshals returned $127,694,602 as the total value of the manufactures of the United States,[3] one-half of which amount was credited to the three States of Pennsylvania, New York, and Massachusetts. Tench Coxe estimated the value of all manufactures of the United States, including those of the households, at $198,000,000. Sixty-two cotton factories, turning 80,000 spindles, contributed $4,000,000 of this amount, and the woolen factories were turning out a considerable product. The New England States were taking the lead in the new textile industries; their purchases of raw

[1]McMaster, *History of the People of the U. S.*, III, 465.
[2]Turner, *Rise of the New West*, 101.
[3]Bishop, *History of American Manufactures*, II, 163.

cotton from the South grew steadily, while their demand for wool induced the owners of the rocky hillside farms of Vermont, New Hampshire, and Massachusetts to turn their attention to sheep-raising. Pennsylvania led in the production of iron, having 44 blast furnaces, 78 forges, 18 rolling and slitting mills, and 175 nail factories, making nails by machinery.[1] Pittsburgh manufactured cast-iron kettles for the sugar plantations of Louisiana and produced annually 200 tons of nails, part of which were shipped to New York by way of New Orleans.

THE WAR OF 1812 AND THE GROWTH OF THE WEST.

The foreign complications in which the United States was involved finally culminated in the war of 1812. The depression of foreign trade and the blockade of most of the Atlantic coast compelled the people of the United States to depend upon their own resources to satisfy their wants, and internal commerce was for the time greatly stimulated. The coasting fleet was forced to remain in the harbors, and for the first time a large part of the commerce between the North and the South was carried on by land. Never was the need for better means of inland transportation brought home more forcibly to the people. Domestic commodities commanded much higher rates than foreign goods of the same kind during times of peace. The manufacturers of the Northeast, possessing a monopoly of the market and producing wares that could be carried most cheaply, enjoyed a period of great prosperity. The output of the cotton mills alone reached $9,000,000 in 1815. New England not being subjected to the blockade, practically all of the foreign trade of the country was carried on through the port of Boston, whose merchants during the early part of the war shared with the manufacturers the high profits arising from war prices and a monopolized trade. When the embargo of December 1813 deprived Massachusetts also of its foreign trade, the mercantile interests added their protests against the war to those of the shipping interests, but there was little complaint from the manufacturers.

As a result of the centralization of trade around the importers and manufacturers of New England, all the rest of the country was compelled to pay tribute to Boston, whose banks "cornered" nearly the entire supply of available specie. In 1814 there were $7,000,000 in specie lying in the Boston banks, while the States south and west of New England were practically stripped of metallic money. To make up for the deficiency in a circulating medium, the banks resorted to the expedient of issuing large sums of paper money. During 1814 the unfavorable turn in the fortunes of war and a sharp attack on all paper issues by the disgruntled Boston banking interests caused a great depreciation in this credit currency and the nation suffered its first severe financial panic; but the return of peace (early in 1815) and the

[1] Coxe, *Statement of the Arts and Manufactures of the U. S. of A. for 1810*, pp. 49–51.

revival of foreign commerce soon restored confidence and the next three years brought an era of prosperity to nearly everyone, except to the owners of the textile mills and iron manufactories along the eastern coast, most of which were compelled to shut down on account of a deluge of importations from England. The attempt made to relieve the distressed manufacturers by the passage of the tariff of 1816 was apparently ineffectual, but their plight was for a time lost sight of in the return of "good times" to the rest of the people.

After the war, emigration to the West set in with a renewed vigor. By 1820, Ohio, with a population of 581,434, had outstripped both Kentucky and Tennessee, with 564,317 and 422,813 respectively. The people of Indiana numbered 147,178, of Illinois 55,211. In the South, Louisiana attained a population of 153,407, Alabama 127,901, Mississippi 75,448, and Missouri (whose people were asking admission into the Union) 66,586. The fertile stretches of virgin soil in the Ohio Valley contributed an enormous product of grain, tobacco, fruit, and hemp which continued to find an outlet down the Mississippi, and the farmers increased their purchases of manufactured goods which flowed into Pittsburgh from the East. Shipments to New Orleans were stopped temporarily in 1813–14 by the stress of the war and the attack on New Orleans by the British army, but after peace was declared shipments became larger than ever. The receipts at New Orleans in 1816 amounted to $9,749,253,[1] fully 60 per cent of which came from the district north of Mississippi.

In 1811 Fulton's great invention was introduced on the western waters, and in 1817 the first steamboat voyage was made up the river from New Orleans to Louisville. The effect of this new engine of commerce on the Mississippi trade was almost magical. The steamboat afforded a more efficient means of transporting products to the southern markets; it enabled the flat-boat men to get home safely and quickly after disposing of their cargoes and boats, and it made possible the movement of freight up the river. The shipments up the Mississippi, however, never attained more than one-half the volume of the trade downstream, notwithstanding the ability of the steamboat to stem the current of the water, and, with the exception of such bulky articles as sugar and coffee and occasionally some heavy machinery, very few commodities were sent as far north as the Ohio Valley, most of the northbound traffic being destined for the planters of Louisiana and Mississippi, who drew their stores from New Orleans. The value of the steamboat was reflected chiefly in the large increase of the traffic downstream. In 1818–19, the first year after the steamboat became an assured success, the receipts at New Orleans rose to 136,300 tons, valued at $16,771,711, and the volume of exports of domestic products from New Orleans was greater than that from any other city in the

[1]*Report on Internal Commerce of United States, 1887*, p. 199.

country. Table 13, showing the kinds and quantities of various articles received at New Orleans in 1818, gives an idea of the importance of the city as a market for the produce of the Western States.[1]

The advent of the steamboat and the increase of population and capital in the West made it unnecessary for the farmers to act as their own merchants and transporting agents. The flat-boats gradually gave way to steamboats, which by 1825 were carrying more than one-half of the river traffic. The river cities of the Ohio Valley became the markets for the produce of the surrounding country. The old practice of driving hogs across the mountains to the seacoast was gradually dropped and the hogs were sold at Cincinnati. This city, by 1818, had a population of 10,000 and because of its great pork-packing business

Table 13.—*Quantities of commodities received at New Orleans, 1818.*

Article.	Quantity.	Article.	Quantity.	Article.	Quantity.
Beans, bbls	3,643	Flour, bbls	197,620	Rice, bbls	9,265
Cotton, bales	65,223	Gin, galls	50,250	Skins (bear), No.	3,000
Sugar, hhds	21,115	Ginseng, bbls	1,200	Soap, boxes	2,576
Bacon, cwts	18,620	Hay, tons	40	Starch, boxes	125
Pork:		Hides, sides	6,200	Tafia, galls	42,026
Hhds	813	Hogs	1,200	Tallow, cwts	206
Bbls	22,225	Lard:		Tar, bbls	837
Bark, cords	4,000	Bbls	412	Tobacco:	
Beef, bbls	5,142	Cwts	6,738	Hhds	8,642
Beer, bbls	306	Molasses, galls	1,126,500	Carrots	1,600
Butter, kegs	1,825	Oil, bbls	4,200	Manufactured,	
Candles, boxes	2,150	Onions, bbls	4,220	boxes	154
Cider, bbls	520	Paper, reams	426	Wax (bees), cwts.	320
Corn, bush	145,200	Peltries, pkgs	3,550	Wheat, bush	95,650
Cordage, cwts	4,350	Pitch, bbls	3,200	Whisky, galls	256,610

was known everywhere as the "Porkopolis" of the United States. Louisville was the center of the tobacco trade. St. Louis, the commercial capital of the vast territory across the river, had a population of 5,000 in 1820, and the large quantities of peltry and lead coming from the trans-Mississippi region indicated that the subjugation of the new West was well under way. At every city along the river there was a shipyard, and steamboats were being constructed in increasing numbers at Pittsburgh, Cincinnati, and Louisville. In 1817 an $80,000 manufactory of steam-engines was established at Cincinnati, which the first year turned out products to the market value of $130,000.[2] Pittsburgh, with a population of more than 7,000, was one of the foremost iron-producing centers of the country.

But even more important to the commercial prosperity of the West than the introduction of the steamboat was the transformation being effected in the new Southern States. Cotton culture had been exceedingly profitable in Georgia and South Carolina, and when it was found

[1]*Report on Internal Commerce of United States, 1887*, p. 192.
[2]Bishop, *History of American Manufactures*, II, 240.

that the rich bottom-lands of Alabama, Mississippi, and Louisiana produced an even better grade of cotton than the upland districts of South Carolina, there was a rush of settlers to the river valleys of the new region. In 1812 the sales of public lands in the Mississippi territory amounted to 144,872 acres, the largest amount sold in a single year up to that time. The sales were 490,873 acres in 1816 and 617,090 acres in 1817.[1] In 1811 fifteen-sixteenths of the cotton produced in the United States was grown in Virginia, North Carolina, South Carolina, and Georgia; in 1820 one-third of the total crop of 600,000 bales was raised in Alabama, Louisiana, Mississippi, and Tennessee.[2] In the western part of the cotton belt, as in the eastern part, the planters devoted their capital and labor almost exclusively to the production of cotton, relying on the region north of them for provisions and live-stock. The market for the grain, pork, flour, and other food products of the Ohio Valley was greatly enlarged, and moreover it was a "home" market. A smaller and smaller proportion of the shipments of provisions down the Mississippi reached New Orleans, the flat-boat men finding it easy to dispose of their cargoes at the wharves of plantations which lined the river for miles above the city. Flat-boat stores peddled clothing, boots and shoes, household furniture, hardware, and all kinds of agricultural implements from village to village and plantation to plantation. Great droves of horses and mules were driven into the Southern States in response to the demand for draught animals to use in cotton culture, and the planters bought from the North large quantities of hay and corn to feed their live-stock, just as they bought the food for themselves and their slaves.

As the western farmers enlarged the volume of their sales to the southern planters, they increased the number of their purchases from the eastern merchants. The rise in the value of shipments of agricultural produce down the Mississippi River was immediately reflected by a corresponding rise in the value of receipts of manufactured goods and merchandise coming to the West on the Pennsylvania, New York, and Maryland turnpikes. A large part of the foreign importations of the United States, which in 1816 reached the unprecedented sum of $155,000,000, was sold in the West. Attracted by the cheapness of the goods offered for sale and full of confidence in their ability to meet all debts with the proceeds of the lucrative southern trade, the people indulged in extravagant over-trading. Purchases far exceeded sales and the specie coming from the South was drained away as fast as it was received; but dozens of new banks furnished a sufficient supply of currency by copious issues of paper money, and the career of extravagant buying proceeded. The internal trade of the country never had been so prosperous. Birkbeck reported that 12,000 wagons came to Pittsburgh from Baltimore and Philadelphia in 1817, bringing goods on

[1]Seybert, *Statistical Annals*, 364. [2]Hammond, *The Cotton Industry*, pt. i, 247.

which the freight charges alone were £300,000.[1] The delay of the people of Pennsylvania in providing for the improvement of roads to the West resulted in a loss by Philadelphia of a large part of the Pittsburgh trade. Freight rates between the two cities were forced down to $9.50 a hundredweight in 1817 and to $6.50 in 1818, but even then the rates from New York to Pittsburgh were less by $1.50.[2] When the new National Road was opened from Cumberland to Wheeling in 1818, Baltimore deprived Philadelphia of still more of the western trade, and Wheeling soon rivaled Pittsburgh as the entrepot of the Ohio Valley.

The people of western New York, still handicapped more severely by the difficulties of transportation than the people farther south, did not enjoy the same degree of prosperity. As long as there was no inland waterway to the Hudson River, the farm and forest products of the Genesee Valley were practically unmarketable. The clamor for a canal between the eastern and western sections of the State redoubled when the war of 1812 interrupted the small commerce with Montreal, and appeals were addressed to Congress to assist in the construction of such a canal by appropriations of funds from the Federal treasury. The appeals were ineffective, and despairing of receiving the expected aid from the National Government, the people of New York, under the leadership of De Witt Clinton, decided to construct the waterway at their own expense. Work on a barge canal from Albany to Buffalo was started in 1817, and thus a beginning was made at last on the solution of the problem of transportation between the East and the West.

THE PANIC OF 1819 AND ITS EFFECTS.

The era of good times through which the United States seemed to be passing came to a sudden halt in 1819, when the nation was visited with a disastrous money panic. Nearly all the specie in the country had been shipped abroad to settle the large unfavorable balance of trade that existed during the few years following the return of peace. The administrators of the government finances had contracted the currency still further by the withdrawal, between 1816 and 1819, of $24,000,000 of the treasury notes issued during the war. To counteract this unfortunate step and make up for the loss of specie, banking institutions of the South and West had emitted large amounts of paper money, some of it on credit of a questionable nature. As the tide of internal commerce had risen, there had been a general expansion of business. Buoyed up by the protection afforded by the tariff act of 1816 and expectant of further relief in case of need, many manufacturing interests had sunk more capital in their enterprises. Extensive investments were made in canal and turnpike schemes that anticipated the needs of a generation.

[1]Birkbeck, *Notes on a Journey in America* (3d ed.), 1818, p. 30.

[2]McMaster, *Hist. of the People of the U. S.*, IV, 427. (McMaster refers to contemporary newspapers as sources of information.)

In 1816 the new United States Bank had been chartered for the express purpose of restoring the currency to a normal and satisfactory condition. Instead of attempting to avert the approaching crisis by a gradual replacement of the questionable issues of bank-notes with a currency that would command confidence throughout the country, the officers of the new bank, who had launched it into business without complying with the provisions of its charter, began a vigorous campaign against all other banks of issue, in an endeavor to force them to a specie basis.[1] Considering the amount of specie in the country, such an attempt was bound to end only in failure; but, as a result of the pressure, banks everywhere began to call in their loans and the per capita circulation was reduced from $11.68 in 1817 to $7.74 in 1819. Confidence in all paper money was destroyed. Prices fell at once, manufacturers and business men were unable to meet their obligations, factories shut down, mercantile firms went into bankruptcy, banks closed their doors, mortgages were foreclosed, debtors were thrown into prison, and business all over the country was completely prostrated. The few textile industries that had survived the competition with England after the war were ruined, the iron industries of Pittsburgh and Cincinnati, some of which had not been disturbed by the importations because of the protection afforded by high freight rates and the increased duties of 1818, were compelled to close down on account of the heavy fall in prices and the general depression. To make matters worse, the export price of the great "money crop," cotton, fell from 32 cents in 1818 to 17.5 cents in 1820, because of the discriminatory tariff imposed by England and the increased competition of the Indian cotton-fields. The provision market of the western farmers was greatly injured, and manufacturer, farmer, planter, and merchant all succumbed before the general catastrophe.

The panic gave a sharp check to ruinous extravagance and overtrading; importations declined; investments in visionary schemes of internal improvements ended; prices were readjusted; and legitimate business began to recover. After the depletion of the large surplus stock accumulated during the wars of Great Britain with France and the United States, English merchants and manufacturers restricted their exportations to America and the American manufacturers quickly recuperated from their temporary prostration. All the cotton mills of the United States were soon at work. Every mill in Pawtucket was in full operation by the middle of 1821; during the last six months of that year, Philadelphia started 4,000 new looms; all the factories of Paterson resumed work by 1822; a Boston company erected a mill at Dover, New Hampshire, with a capacity of 20,000 spindles, and by 1823 the demand for American cotton cloth was larger than the manu-

[1]Dewey, "The Second United States Bank," in *Publications National Monetary Commission*, IV, 1911.

facturers were able to meet.[1] The supply of domestic wool was too small to answer the needs of the woolen factories, whose owners were compelled to import wool to keep their looms busy. As the manufacturing industries revived, internal commerce also recovered. In 1820, 3,000 wagons went from Philadelphia to Pittsburgh, carrying $18,000,000 of merchandise; in 1822 one of the five commission houses at Wheeling unloaded 1,081 wagons, each carrying an average freight of 3,000 pounds, the total transportation charges being $90,000.[2] After a heavy slump for two years, the river trade of the West with the South recovered, the receipts at New Orleans in 1821–22 amounting to $15,126,420, and the fact that less than half of it came from the valley of the Ohio indicated that the planters of the lower Mississippi were intercepting a larger and larger percentage of the provisions that formerly went all the way to New Orleans.

THE AMERICAN SYSTEM.

Notwithstanding the revival of manufactures and domestic commerce, the farmers of the grain-belt still found themselves in distressing circumstances. The fertile soil of the great Ohio Valley was yielding a product far in excess of the demand that existed for it, and each year found an increasing amount of unthreshed or unmarketable grain left in the fields and granaries. Foreign nations that profited by exporting their manufactured products to America refused admittance to American grain and flour, and though the grain-producing capacity of the United States had increased six-fold since 1790, the annual exports of flour, beef, pork, and grain were but little more than the average for the five years from 1790 to 1795. Of that which was exported, but very little went to Europe, the chief foreign provision market being, as in colonial days, the islands of the West Indies. The plantations of the South were drawing much of their subsistence from the northern farms, but they were unable to absorb more than a small fraction of the tremendous surplus of meat and flour that was seeking a market. In 1824 corn could be bought at Cincinnati in any quantity for 8 cents a bushel.[3] Wheat yielded the farmer 25 cents a bushel; flour sold as low as $1.25 per barrel. After the advent of low prices, the high costs of transportation fell more heavily upon the farmer than before, a larger proportion of the value of agricultural products being sunk in the expense of carriage to market than of the value of any other commodities.

Agricultural interests sought urgently for relief. Since there was no foreign market for their surplus, they resolved to create a domestic market. If England would not buy the food products of the United

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[1] *Niles' Register*, XXI, 1821–22, p. 39; XXII, 1822, p. 67; XXIII, 1822–23, p. 291. Bishop, *History of American Manufactures*, II, 268–89.

[2] Turner, *Rise of the New West*, 100; Birbeck, *Notes on a Journey in America*, 39; Hulbert, *Historic Highways*, X, 57.

[3] *Niles' Register*, XXVII, 1824–25, 123.

States, the United States must refuse to purchase manufactured goods from England, and by the establishment of extensive manufacturing industries at home give rise to a non-agricultural population that would consume the redundant supplies of meat and grain. Upon the growth of domestic manufacturing industries depended the future welfare of agriculture. The farming interest proposed to solve the problem of attracting more capital to manufacturing enterprises by the erection of a system of protective tariffs that would check foreign importations and give encouragement to investments in mills and factories at home. Manufacturing industries already in existence were in no apparent need of more protection from foreign competition; the navigating and shipping interests of Boston and New York and the cotton planters of the South strenuously opposed the protective policy. But the agricultural interests were not to be denied. Henry Clay, speaking for the tariff bill of 1824, said:[1]

"Our agricultural is our greatest interest. . . . We must speedily adopt a genuine American policy. Still cherishing the foreign market, let us also create a home market, to give further scope to the consumption of the produce of American industry. . . . Let us suppose that half a million persons are now employed abroad in fabricating for our consumption those articles of which, by the operation of this bill, a supply is intended to be provided within ourselves. That half a million persons are, in effect, subsisted by us; but their actual means of subsistence are drawn from foreign agriculture. If we could transport them to this country, and incorporate them in the mass of our own population, there would instantly arise a demand for an amount of provisions equal to that which would be requisite for their subsistence throughout the whole year. That demand in the article of flour alone would not be less than the quantity of about 900,000 barrels, besides a proportionate quantity of beef and pork and other articles of subsistence. But 900,000 barrels of flour exceeded the entire quantity exported last year by nearly 150,000 barrels. What activity would not this give, what cheerfulness would it not communicate to our own dispirited farming interest! But if, instead of these 500,000 artisans emigrating from abroad, we give by this bill employment to an equal number of our own citizens now engaged in unprofitable agriculture, or idle from the want of business, the beneficial effect upon the production of our farming labor would be nearly doubled. The quantity would be diminished by the subtraction of the produce from the labor of those who should be diverted from its pursuits to manufacturing industry, and the value of the residue would be enhanced, both by that diminution and the creation of the home market to the extent supposed. . . ."

Under Clay's leadership, the tariff of 1824 was enacted by the votes of the grain-raising and manufacturing districts, and the "American system" was inaugurated. In 1828, in response to an appeal, emanating this time from the woolen interests, who were unable to compete with the English manufactories, and seconded by the agricultural interests, who still found the supply of grain too large for the existing

[1]Speech in House of Representatives, March 30–31, quoted in Taussig, *State Papers and Speeches on the Tariff*, 265, 267, 268; Callender, *Economic History of the U. S.*, 501–503.

demand, still further encouragement and inducement were extended to home manufactures.

While the country was being agitated by the tariff controversies and exceptionally bitter political contests, the New York canals, reaching the St. Lawrence River by the valley of Lake Champlain, and Lake Erie by the Mohawk Valley and the small lakes of western New York, were opened for traffic throughout their entire length (October 1825). Thanks to the ability and persistent endeavors of De Witt Clinton, the problem of transportation between the East and the West at last was solved by the opening of the Erie Canal. No other single work in the United States has ever exerted a greater influence on the prosperity of internal trade. An end was brought to what had been the bane of internal commerce for a half century—the excessive charges for freight transportation. Freight rates between Albany and Buffalo were at once reduced 90 per cent and the day of the freighter on the Genesee Road was gone forever.[1] The new canal wrought a complete transformation in all the rural districts of western New York. Lumber, staves, ashes, grain, and vegetables, hitherto unmarketable, were now shipped to the markets of the East; farm values doubled and quadrupled; a stream of people poured into the fertile farming regions; towns and villages sprang up all along the canal.

Not less valuable was the new waterway to the district at its eastern terminus. The laboring population of the growing manufacturing towns reaped immense benefits from the cheaper and better means of subsistence they could now secure, while the shipments of domestic and foreign merchandise to the western region exceeded in value even the receipts of raw products at tidewater. New York had achieved economic unity at a single stroke. In 1826, the first year of operation of the entire canal, 302,170 tons were delivered at tidewater in New York, and the tolls paid to the State on the entire canal traffic amounted to $677,466. Statistics of the volume and value of shipments were not kept until after 1835, but it is estimated that the annual value of traffic averaged $15,000,000 during the period from 1825 to 1830. At the end of that time tolls collected were more than $1,000,000 annually.

Meanwhile, the adoption of the "American system" had been followed by a rapid growth of manufacturing in the North and West. New England gradually turned from commerce and navigation to manufacturing, which became second only to agriculture in importance, and though the transition was not complete in 1828, the evidences of the transformation were sufficient to impel Daniel Webster to espouse the cause of protection, and he spoke as vigorously in favor of the second tariff measure as he had spoken in opposition to the first. By 1830, the products of the woolen and cotton mills of the United States, most of which were in New England, rose in value to $37,000,000, and

[1]Poor, "Railroads and Canals in the U. S.," in Andrews, *Report on Colonial and Lake Trade*, 234.

the pig-iron product coming chiefly from Pennsylvania and New York amounted to 195,000 tons.[1] Philadelphia foundries were using the "stone" coal, floated down the canals built for the purpose along the Lehigh and Schuylkill Rivers. New cities, such as Lowell, Lawrence, Paterson, and Newark, that owed their prosperity solely to manufacturing, began to rival in wealth and population the older commercial cities of the North Atlantic States. In the West populous commercial and manufacturing towns arose. Pittsburgh maintained its lead in the iron industry, and the population of 12,500 was nearly double what it had been ten years before; Cincinnati, with an annual product of manufactures of over $2,000,000, was the "Queen City" of the West, and her population had grown to 25,000; Louisville with 10,000 people had more than doubled in size during the past decade, and had several factories making ropes, cotton and woolen cloth, and bagging of both hemp and cotton.

To provide for the growing internal commerce arising from the diversification of industry and the increase in production, improved means of transportation were essential. There was a universal demand for more roads and canals. The widespread agitation of the time in favor of government aid for internal improvements was as intimately related to the "American system" as the appeal for protection of manufacturing industries. The National Government had built the National Road, and though it engaged but little in the construction of other commercial highways, it gave extensive aid to private and State enterprises by means of appropriations in the way of land-grants and stock subscriptions. The individual States, unrestrained by any considerations of constitutional authority, embarked in schemes of canal and turnpike building which involved them in debts of millions of dollars. Ohio and Indiana, realizing the value of the newly provided outlet to the East, began to construct canals joining the Ohio River and Lake Erie. Pennsylvania, awakened to the danger of the total loss of western trade through the State by the fact that the shipments of merchandise to the West were rapidly abandoning the wagon-roads from Baltimore, Philadelphia, and New York in favor of the cheaper route by way of the Erie Canal, began, in 1826, an extensive system of canals to connect Philadelphia with the Ohio River and the Great Lakes. Not to be outdone by their rival States, Maryland and Virginia agreed upon the construction of a canal from tidewater in the Potomac River to the Ohio River, and on July 4, 1828, President Adams dug the first spadeful of earth to signalize the beginning of the undertaking. Some financiers of Baltimore, dubious of the success of an effort to build a waterway over the difficult route adopted by the promoters of the Chesapeake and Ohio Canal, withdrew their support from that

[1] U. S. Census 1900, *Manufactures*, pt. iii, p. 11; Pitkin, *Statistical View of the Commerce of the United States*. 494.

enterprise and, putting their confidence in a new and almost untried transportation device, which they believed would prove superior to canals, just as canals had proved superior to turnpikes, they boldly inaugurated the plan of a railroad from their city across the mountains to the Ohio, and Charles Carroll of Carrollton, placed the stone that commemorated the beginning of its construction on the same day that President Adams officiated at the rival celebration that marked the beginning of the canal.

SUMMARY.

Thus by 1830 it was certain that the internal commerce of the United States would develop upon a large scale. The territorial division of labor already begun could have but one result—a tremendous expansion of domestic trade. That this expansion had already commenced was amply evident from the fact that notwithstanding the large growth in wealth and population from 1820 to 1830, the imports of the United States had increased but slightly. "The nation was building an empire of its own, with sections which took the place of kingdoms."[1] New England, New York, and Pennsylvania were manufacturing the clothing and iron utensils for the West and South, and the rising tide of foreign immigration was swelling the population of the eastern manufacturing centers. The South was still absorbed in cotton raising, but more than half of the crop was now being raised in Alabama, Mississippi, Louisiana, and Tennessee, and the line of plantations was creeping up the Arkansas and Red Rivers, while many planters were moving with their slaves and cotton gins over into the rich coastal plain of Texas. The people of the entire South relied upon the West for their food and live-stock; they bought their clothing and machinery from the North Atlantic States, and their exports, which comprised more than two-thirds of the exports of the entire United States, brought in the specie that facilitated the commerce of all sections. The West was a vast granary. Its new factories were drawing artisans from the East and taking laborers from the country to the cities, thus swelling the demand for the flour and grain that had recently been seeking in vain for a market. The volume of shipments of provisions and merchandise down the Mississippi was larger than ever and the manufacturing population of the East, already too large to be fed by the agricultural produce of New England, New York, and Pennsylvania, was beginning to draw its subsistence from the western farms.

Means of cheap transportation, the lack of which had been such an obstacle to internal development, had been or were being supplied to meet the requirements of the new conditions. Nearly a thousand steamboat arrivals annually at New Orleans, now a city of 50,000, and the hundreds of flat-boats floating down the river indicated that the

[1]Turner, *Rise of the New West*, 297.

Mississippi system still carried the largest portion of the nation's internal commerce. Water communication between the Atlantic Ocean and the interior of the United States was established when the Erie Canal connected the Hudson River to the waterways afforded by the series of great inland seas, and settlers were swarming into Michigan and northern Ohio, Indiana, and Illinois, eager for the conquest of the new lands, whose tremendous resources would soon double the volume of the commerce of the nation. There were 1,348 miles of canals in operation in all the United States, and 1,828 miles more in the process of construction. Louisville was rejoicing in the completion of a canal around the falls of the Ohio. Ohio and Indiana were rapidly pushing the work on their canals that were to tap the regions hitherto tributary only to the Mississippi; the construction of the Pennsylvania Canal was being hurried forward to enable Philadelphia to get back the trade diverted by the building of the Erie Canal, and Maryland and Virginia were persistently going on with the building of the waterway westward from Washington City. Meanwhile, 44 miles of railway had been completed and were in operation in 1830. That confidence in the new device was not lacking was shown by the fact that 422 miles were in the process of construction and 697 miles more were already projected.

CHAPTER XIV.

EXPANSION OF INTERNAL COMMERCE, 1830 TO 1860.

Increased area and population of United States, 224. Development of industries, 225. Growth of manufactures, 226. Extension of transportation facilities, 227. Trade of Eastern with Central States via Erie Canal and Great Lakes, 230. The grain trade, 230. Development of the Great Lakes district, 234. Trade on the Pennsylvania Canal system, 235. Trade via the railroads between the East and West, 237. Growth of inland commerce in the Southern States, 240. Internal trade between the North and the South, 241. Active period of the river trade, 241. The commerce of the Mississippi Valley, 242, of New Orleans, 243, of St. Louis, 243, of Cincinnati, 244. Diversion of traffic from the Mississippi River to the eastern railroads, 247. The domestic slave trade, 248. The internal trade of the far West, 248. Summary, 250.

The years between 1830 and 1860 witnessed a remarkable expansion of the United States in area, population, and wealth. At the beginning of the period the gross area of the country, which had been increased once since the acquisition of Louisiana, by the purchase of Florida in 1819, was 1,792,223 square miles. By the annexation of Texas in 1845, a vast tract containing 376,000 square miles was acquired and the settlement of the Oregon dispute during the following year resulted in the addition of 285,000 square miles more. The treaties with Mexico in 1848 and 1853 secured to the possession of the United States the immense territory of 573,000 square miles lying between Texas and the Pacific Ocean, bringing the total area of the national domain up to 3,026,000 square miles.

At the end of each decade of the thirty years the population of the entire country was found to have increased a third or more over what it had been ten years before, the total number of people rising from 12,866,020 in 1830 to 31,443,321 in 1860. The increase was not uniform in the different sections. The South Atlantic States showed a percentage of increase for the entire period that was less than half the percentage of total increase, and the North Atlantic States also failed to keep up with the country as a whole. The southern division of the Central States, including Alabama, Mississippi, Louisiana, Texas, Arkansas, Tennessee, and Kentucky, had an increase of more than 40 per cent during each decade between 1830 and 1850, and an increase of 34 per cent between 1850 and 1860. In the northern division of the Central States there was a most remarkable growth of population. This section, made up in 1830 of Ohio, Indiana, Illinois, Michigan, and Missouri, had a population of 1,610,473. Including the partly settled territories of Wisconsin and Iowa, this group had, in 1840, a population of 3,351,542, an increase of more than 100 per cent. The number of people in Indiana in 1840 (685,866) was almost exactly double what it had been ten years before; the number in Illinois (476,183) was three times as great, the population of Missouri had more than doubled; and that of Michigan (212,267) increased nearly seven-fold. By 1850, the

entire section, including Minnesota, had 5,403,595 people, an increase of 61 per cent in ten years, and by 1860, with Kansas, Nebraska, and Dakota added to the group, the number was 9,076,716, an increase of 68 per cent since 1850. One State, Ohio, had more than 2,000,000, and three others, Indiana, Illinois, and Missouri, each had more than 1,000,000 people. The Far West was very sparsely populated at the time of its acquisition by the United States, but the discovery of gold in California was followed by a rush of settlers, and by 1860 the western section had a population of 618,796, two-thirds being in the State of California.[1]

DEVELOPMENT OF INDUSTRIES.

The opportunities afforded by the fertile lands of the Mississippi River and the Great Lakes to the thousands of settlers flocking to that region enabled agriculture to maintain its prominence among the industries of the country. More than one-half of the total wealth of the nation, which was estimated to be more than $7,000,000,000 in 1850,[2] was made up of the value of farms and farm property,[3] and of a total of $16,000,000,000 in 1860 the farms contributed just a little less than half. Corn was by far the most valuable agricultural product, though not as important an article of trade as wheat. The statistics of production showed a yield in 1840 of 377,000,000 bushels of corn,[4] in 1850 of 592,000,000 bushels, and in 1860 of 839,000,000.[5] Tennessee held first place in the production of corn in 1840, but in 1850 Ohio, Kentucky, Illinois, and Indiana were the foremost producing States, and in 1860, Illinois ranked first with a crop of 115,000,000 bushels, while Ohio, Missouri, and Indiana came next, each with a little more than 71,000,000 bushels.[6] The production of wheat advanced from 84,000,000 bushels in 1840 to 173,000,000 bushels in 1860.[7] In the former year, New York, Ohio, and Pennsylvania were the leading wheat-producing States and again in 1850 these three States led, with Pennsylvania first and New York third, but in 1860 Illinois led in the production of wheat as well as in the production of corn, and Indiana, Wisconsin, and Ohio held in order the next three places.[8] The only other cereal of great importance was oats, the production of which grew from 123,000,000 bushels in 1840 to 172,000,000 bushels in 1860, nearly all of which was produced in the Central and Middle Atlantic States.[9] In 1860, the crop of rye amounted to 21,000,000 bushels.[10] Hay was one of the most important agricultural products, ranking in value next to corn, wheat, and cotton. In the South, cotton continued

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[1]For growth of population of the United States, see *U. S. Census 1910*, I, 30–35.
[2]*Statistical Abstract of United States, 1911*, p. 702. [3]*Ibid.*, 732.
[4]DeBow, *Statistical View of the United States* (U. S. Census 1850, Compendium), 174.
[5]U. S Census 1860, *Agriculture*, xlvi. [6]*Ibid.*, xlvii.
[7]DeBow, *Ibid.*, 174; U. S. Census 1860, *Agriculture*, xxix.
[8]DeBow, *Ibid.*, 171; U. S. Census 1860, *Agriculture*, xxix.
[9]DeBow, *Ibid.*, 174; U. S. Census 1860, *Agriculture*, lxiv.
[10]U. S. Census 1860, *Agriculture*, lix.

its sway, the production increasing very rapidly from 732,000 bales of 500 pounds each in 1830 to 1,348,000 bales in 1840, 2,136,000 bales in 1850, and 3,841,000 bales in 1860.[1] Mississippi was the leading cotton State in 1840 and again in 1860, with Alabama, Louisiana, and Georgia the nearest competitors in the latter year. South Carolina held fourth place in 1850, but ten years later was surpassed by both Texas and Arkansas. In addition to being one of the chief cotton-producing States, Louisiana was practically the only sugar-producing State of the Union, its cane plantations yielding an average annual product of more than 300,000,000 pounds of sugar between 1850 and 1860.

The live-stock of the entire country increased in value from $545,180,516 in 1850 to $1,089,329,915 in 1860,[2] half of it belonging to the farmers of the Central States, in which the great corn fields were to be found; 7,000,000 head of horses and mules worked on the farms and plantations; 25,000,000 cattle furnished large quantities of beef, hides, and tallow, as well as over $100,000,000 worth of dairy products each year; 22,000,000 sheep provided wool for the eastern mills, and 33,000,000 swine fattened on the great crops of corn. The value of animals slaughtered for meat in 1850 was $111,000,000, and by 1860 it had risen to $213,000,000.

The exploitation of the mineral resources of the country increased slowly but steadily. From 285,779 tons of coal mined in 1830 the quantity grew to 13,044,680 tons in 1860,[3] nearly two-thirds of which was from the anthracite fields of Pennsylvania. The iron mines of that State turned out 500,000 tons of ore in 1850 and more than 1,000,000 tons in 1860, and in the latter year four other States, Ohio, New York, New Jersey, and Michigan, were each producing annually more than 100,000 tons.[4] Copper production, which amounted to 100 tons in 1845, rose to 7,200 tons by 1860, in which year nearly $2,000,000 worth of domestic copper and copper manufactures were exported abroad.[5] The lead mines, the most important of which were in Wisconsin, Illinois, and Missouri, had an output of 15,000 tons in 1860. The production of oil began in 1859 and during the following year 21,000,000 gallons flowed from the wells of the Pennsylvania field.[6] Gold was found in California in 1849, and for the next ten years an annual average quantity of $55,000,000 was washed from the gravels of the Western States.[7]

Manufacturing industries shared the general prosperity, although the tariff was reduced practically to a revenue basis in 1846. The total value of manufactured products, including also the value of minerals, amounted to $1,019,107,000 in 1850,[8] more than twice

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[1] *Statistical Abstract of the United States, 1911*, pp. 734, 138.
[2] U. S. Census 1860, *Agriculture*, cxxvi.
[3] *Ibid.*, cxliii; *Statistical Abstract of United States, 1911*, p. 735.
[4] *Monthly Summary of Commerce and Finance, August 1900*, p. 209.
[5] *Statistical Abstract of United States, 1911*, pp. 735, 737. [6] *Ibid.*, 736. [7] *Ibid.*, 734. [8] *Ibid.*, 738.

the value given by the census figures ten years previously, and in 1860 the amount rose to $1,885,862,000,[1] a sum which exceeded the value of the agricultural production of that year. In 1850, the value of the flour and meal manufactured was over $100,000,000, and boots and shoes, cotton goods, and lumber products were each valued at more than $50,000,000. The manufacturing industries, the value of whose product in 1860 was more than $15,000,000, were, in order of importance: flour and meal, cotton goods, sawed lumber, iron and its manufactures, boots and shoes, men's clothing, leather and skins, woolen goods, miscellaneous machinery, sugar refining, provisions, printing and publishing, carriages, distilled liquors, furniture and cabinet wares, tobacco and snuff, malt liquors, paper, soap and candles, oil, agricultural implements, bread and crackers, hats and caps, tin, copper and sheet-iron wares, marble and stone work.[2] Cotton goods were produced to the amount of $116,000,000 in 1860, and woolen goods, the production of which had increased but little between 1810 and 1840, amounted to $43,000,000 in 1850 and $73,000,000 ten years later. The three leading manufacturing States, in order of importance, were New York, Pennsylvania, and Massachusetts. Ohio held fourth place, being especially prominent in the production of animal products, and agricultural implements and machinery. The sectional localization, which had been apparent in 1830, was much more pronounced in 1860. The manufacture of boots and shoes and cotton and woolen goods was carried on chiefly in New England; Pennsylvania led in coal and iron production, while New York's chief manufacturing interests were in flour, men's clothing, sugar refining, and leather.[3]

EXTENSION OF TRANSPORTATION FACILITIES.

The development of the interior region of the country was accompanied by the construction of transportation facilities to care for the expanding internal trade. The success of the Erie Canal gave a great stimulus to the building of artificial waterways throughout the Northern States both east and west of the Alleghenies, and before 1837 more than $100,000,000 was invested in various canals. The Ohio Canal between Portsmouth and Cleveland was opened in 1832; in 1834, Pennsylvania completed the main-line improvement connecting Philadelphia and Pittsburgh, a remarkable transportation system made up of a railroad for horse or locomotive traction, two stretches of canal, and a system of inclined planes by which canal-boats were drawn across the crest of the mountain range by stationary engines.[4] The Wabash and Erie Canal, extending from Toledo down into Indiana, was finished to Evansville on the Ohio River in 1851, and the Miami Canal, between Cincinnati and Dayton, which had been opened in 1829, was pushed northward to

[1] U. S. Census 1860, *Manufactures*, 742. [2] *Ibid.*, 733–742.
[3] See tables for various states in U. S. Census 1860, *Manufactures*, II, 742.
[4] Bishop, *The State Works of Pennsylvania*.

connect with the Wabash and Erie in 1845. A New Jersey corporation opened a waterway between the Raritan and Delaware Rivers in 1838, and by using the ship-canal built between the Delaware River and Chesapeake Bay in 1829, it was possible for small vessels to go from Baltimore to New York almost without touching the waters of the ocean. The Canadian government built the Welland Canal in 1833 and the State of Michigan finished the locks at Sault Ste. Marie in 1855, thus removing the last obstacle in the way of navigation from the western extremity of the Great Lakes to the Atlantic seaboard. In 1848, the Illinois River was connected with Lake Michigan at Chicago, and a canal across the portage between the Fox and Wisconsin Rivers gave an all-water route from Green Bay to New Orleans along the path followed by the adventurous Marquette in his voyage down the Mississippi two centuries before.[1]

Railroads quickly manifested their usefulness as a means of transportation, and by the close of this period the railway traffic of the country exceeded that of all the inland waterways combined. In the States along the Atlantic Ocean, the steam railway grew steadily in favor from the time of its origin, and by 1840 over 2,500 miles of track was laid east of the Alleghenies. The following ten years witnessed a continuation of the growth of railway mileage in the East, but the total number of miles in the Northern Central States in 1850 was only a little more than 1,000. The decade from 1850 to 1860, however, brought a great augmentation of the railway mileage of the Central States. In the northern section, 10,000 miles of track were laid, uniting the cities of the Great Lakes with those on the Ohio and Mississippi Rivers, and connecting the entire section with the western termini of the eastern roads. In the South, a set of roads was constructed northward from the Gulf of Mexico to carry the traffic of the cotton-belt. Early in the decade the trunk lines of the Eastern States were pushed across the mountains and through railway connection over several lines was established between the Mississippi Valley and the Atlantic Ocean. The Western and Atlantic road connecting Charleston and Savannah with Chattanooga afforded the first railroad route across the highland in 1849. In 1850, the New York Central made through connection with the Great Lakes, and the next year the Erie was completed to Dunkirk. The Pennsylvania Railroad, following the route of the main line of the Pennsylvania Canal, was opened to Pittsburgh in 1852, and the ambitions of the men that had inaugurated the building of the Baltimore and Ohio road a quarter of a century before were realized in 1853, when that line was finished to Wheeling. Chicago was connected with New York by a direct rail route in 1853, and St. Louis in 1855, and, by 1858, one railroad reached the Missouri River. Thus by 1860 there was ample railway connection among

[1]DeBow, *Resources of the Southern and Western States*, II, 458.

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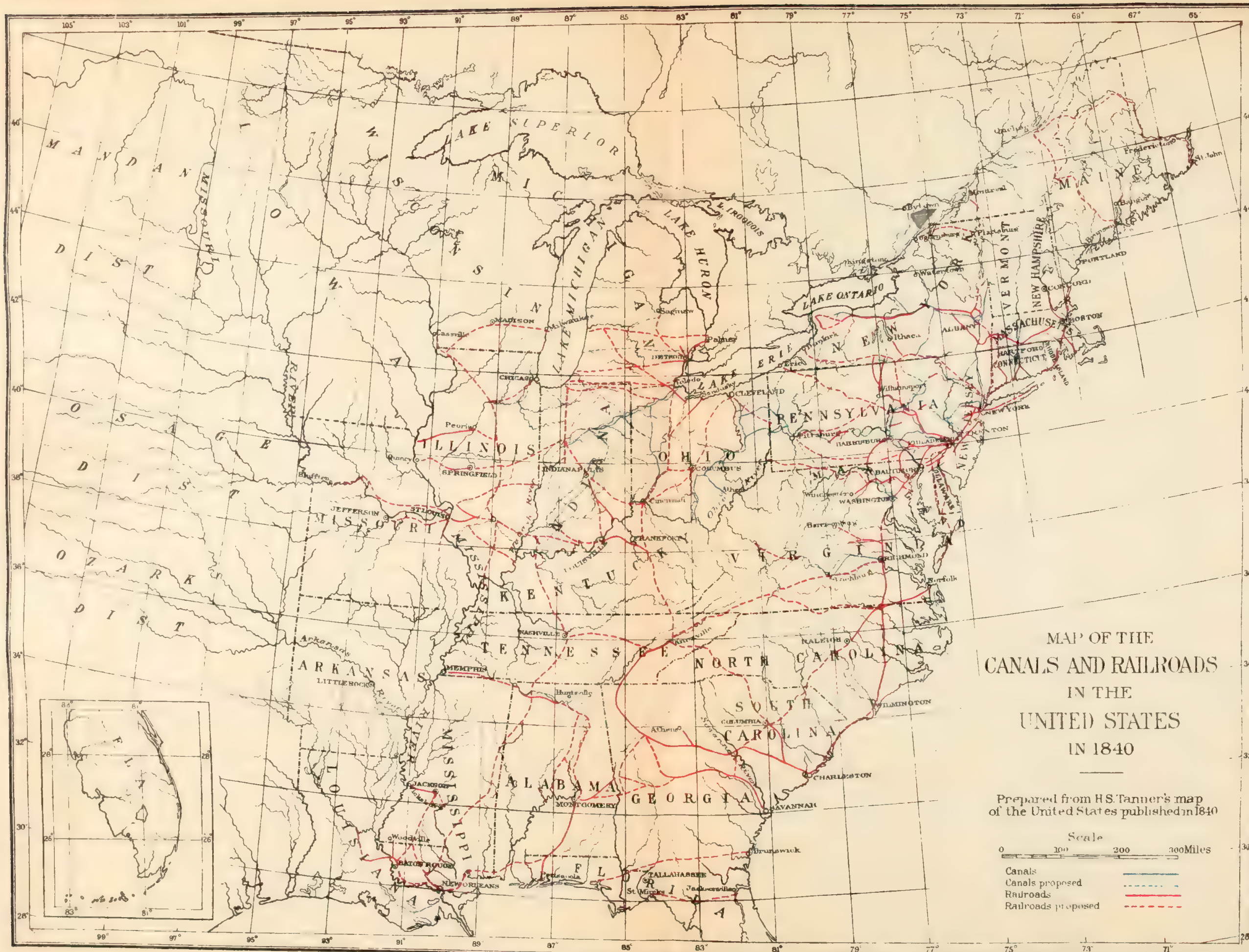
MAP 2.


MAP OF THE
CANALS AND RAILROADS
IN THE
UNITED STATES
IN 1840
Prepared from H.S. Tanner's map
of the United States published in 1840
Scale
0
100
200
300 Miles
Canals
Canals proposed
Railroads
Railroads proposed
LAKE SUPERIOR
LAKE MICHIGAN
LAKE HURON
LAKE ERIE
LAKE ONTARIO
MAINE
VERMONT
NEW HAMPSHIRE
MASSACHUSETTS
CONNECTICUT
PENNSYLVANIA
OHIO
ILLINOIS
MISSOURI
KENTUCKY
VIRGINIA
TENNESSEE
NORTH CAROLINA
SOUTH CAROLINA
GEORGIA
ALABAMA
MISSISSIPPI
ARKANSAS
LOUISIANA
FLORIDA
MANDAN DIST
OSAGE DIST
OZARK DIST

all the States east of the Mississippi, and two States west of that river, Missouri and Iowa, each had more than 500 miles of roads in operation. There was a total of 30,626 miles of railway in the entire country. Of this amount the North Central States had more than a third, the number of miles in Ohio, Indiana, Illinois, Wisconsin, Iowa, and Missouri being more than 11,000, while the North Atlantic States stood second in the amount of railway mileage. Ohio stood first among the States with 2,946 miles, and Illinois second with 2,790. One other State west of the Alleghenies, Indiana, had more than 2,000 miles, and the mileage of Pennsylvania and New York also exceeded that figure.[1]

The growth of the population, wealth, and transportation facilities of the United States from 1830 to 1860, a brief outline of which has just been given, was accompanied naturally by a large increase in the volume of internal commerce. Moreover, there was a decided change in the course of the flow of commodities bought and sold. With the completion of canals and railroads connecting the interior of the country with the eastern coast, the internal commerce lost the peculiar triangular character which distinguished it during the preceding period. The North-Central States, which formerly had been almost wholly dependent on the southern cities and plantations for a market, began to send their agricultural products directly to the Eastern States for consumption and exportation, but at the same time they expanded their shipments to the South, where the increasing population of the cotton-belt created a larger demand for food and live-stock. The Northern States, both east and west of the Alleghenies, in all of which manufacturing had a considerable growth, exchanged their products with each other and both sections sold manufactured goods to the South, where agriculture continued to be practically the sole interest. The South, in turn, sold large quantities of its agricultural products to all the Northern States. The internal commerce of the country, during this period, consisted of a few well-defined currents of trade flowing between certain sections. A large volume of products went from the Central to the Eastern States and a traffic of less volume but of greater value moved in the reverse direction. There was a heavy internal movement of commodities from the Northern to the Southern and a light movement from the Southern to the Northern States. Aside from the trade among these sections, there was an overland trade by pack-horse and wagon with the Far West, which became of particular importance after the discovery of gold. For the sake of greater clearness, these different currents of trade between the various sections will be considered separately and in order as follows: (1) the internal trade between the Eastern and Central States; (2) the internal trade between the North and the South; and (3) the internal trade with the Far West.

[1]For growth of railway mileage in the United States see *Statistical Abstract of United States, 1911*, p. 280; Poor's *Manual of Railroads, 1868–69*, p. 20

TRADE OF EASTERN WITH CENTRAL STATES VIA ERIE CANAL AND GREAT LAKES.

One of the notable features of the internal commerce of the United States after 1830 was the rise of trade on the Great Lakes. Before the construction of the Erie Canal there was but little commerce on the lakes aside from occasional shipments of stores and provisions to the scattered military posts on the frontier and a small local trade on the waters of Lake Ontario. After the opening of the canal there was a large and steady migration of people to the farming lands of the lake district. In the course of a few years thousands of acres of woodland were cleared and put under cultivation, the center of cereal production shifted rapidly westward, and hundreds of shiploads of grain and lumber were borne over the great inland seas toward the eastern markets. Previous to 1830, practically all the eastbound traffic of the Erie Canal originated within the State of New York, but in 1835, the first year for which statistics were collected, flour and wheat equivalent in amount to 268,259 barrels of flour,[1] from States west of New York, arrived at tidewater by way of the canal, as compared to 868,561 barrels from the State of New York, and in 1839 the shipments of grain and flour from the Western States to the Hudson River, amounting to 683,000 barrels of flour, exceeded the New York shipments.[1] The following year the quantity arriving at tidewater from the Western States rose to 1,066,740 barrels of flour, and, increasing steadily, it grew to 3,084,959 barrels in 1850 and 4,344,387 barrels in 1860.[1]

Ohio was the first of the States west of New York to export grain via the lakes. The district along the southern shore of Lake Erie was naturally the first part of the lake region to be occupied by the incoming settlers, and it was the surplus produce of the farms in the northern counties of Ohio that comprised the earliest shipments of western grain through the Erie Canal to the Hudson River. By 1835, wheat and flour from northeastern Indiana were finding their way to the eastern markets through the port of Toledo, and the city of Detroit was beginning to export the agricultural and forest products collected from the lands of eastern Michigan. In 1836, the first shipment of grain from Lake Michigan was recorded, a cargo of 3,000 bushels of wheat from Grand Haven to Buffalo.[2] Two years later, a shipment of 78 bushels of wheat from the western shore of Lake Michigan marked the beginning of the exportation of Illinois grain over the Great Lakes and the inauguration of the cereal trade of Chicago,[3] and in 1841 the first exportation of wheat from Wisconsin left the harbor of Milwaukee.[3]

The growth of the grain trade on the lakes was exceedingly rapid. As soon as the Ohio Canal was completed between Portsmouth and Cleveland (1832), a part of the surplus grain of Pennsylvania, Ken-

[1] *Monthly Summary of Commerce and Finance, Jan. 1900*, p. 1969.
[2] U. S. Census 1860, *Agriculture*, cxlvi. [3] *Ibid.*, cxlvii.

tucky, and southern Ohio, which formerly had been shipped down the Mississippi River, was diverted to the eastern route to the coast, and as early as 1838 the receipts of wheat and flour at Buffalo were greater than the receipts at New Orleans.[1] The Mississippi was no longer the sole outlet of the great central valley, and in the course of a few years the grain trade on the lakes far outstripped that on the river. In 1842, the shipments of food products from Cleveland alone, valued at $4,431,000, were as large as the shipments from New Orleans.[2]

The repeal of the English Corn Laws in 1846 gave a great stimulus to the cereal production and trade of the United States by opening a larger foreign market for American grain. As the population of the Central States increased and canals and railroads were built to connect the farming districts of the interior with the cities on the lakes, the shipments of grain from the newly settled regions swelled in volume, and the amount sent eastward was constantly augmented by the increasing diversion of traffic from the southern markets. By 1860 the total receipts of grain by lake at Buffalo, Dunkirk, Oswego, Ogdensburg, and Cape Vincent amounted to 61,428,693 bushels,[3] including 2,063,339 barrels of flour, 29,000,000 bushels of wheat, and 18,000,000 bushels of corn. Buffalo always received the largest part of the grain shipped over the lakes, and the receipts at that city offer a fair index of the growth of the lake traffic in grain and flour. In 1836, a total of 1,239,531 bushels of grain entered this city, and the receipts increased thereafter as follows:[4] 5,542,525 bushels in 1841, 13,366,167 bushels in 1846, 17,740,781 bushels in 1851, 25,753,967 bushels in 1856, 37,053,115 bushels in 1860. One barrel of flour equals 5 bushels of wheat.

The superior transportation advantages possessed by Ohio in the two canals extending through the State from the Ohio River to Lake Erie and a third canal from Toledo to Evansville, Indiana, enabled that State to maintain its lead in the grain trade of the lakes for nearly a score of years, but it lost its position when the numerous railways constructed in Indiana, Illinois, and Wisconsin began to carry produce from the interior of those States to the ports of Lake Michigan. An example of the effect of the new railroads was afforded by the Galena and Chicago Union Railway, built in 1849, which in a single year (1852) brought 1,658,725 bushels of grain to Chicago.[5] Illinois soon obtained the lead in the exportation of grain and flour, the shipments from Chicago rising from less than 2,000,000 bushels in 1850 to more than 20,000,000 bushels in 1858;[6] Wisconsin, too, surpassed Ohio in the amount of agricultural produce sent eastward.[7] In 1860, the total

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[1]U. S. Census 1860, *Agriculture*, cxlviii and clvi.
[2]DeBow, *Resources of the Southern and Western States*, III, 506.
[3]*Statistics of Foreign and Domestic Commerce, 1864*, p. 159.
[4]*Monthly Summary of Commerce and Finance, Jan. 1900*, p. 2015.
[5]U. S. Census 1860, *Agriculture*, cxlvii. [6]*Ibid.*, cxlix.
[7]Callender, *Economic History of the United States*, 323.

shipments of grain from all the ports on Lake Michigan amounted to 43,211,448 bushels,[1] which was more than double the amount shipped from the different ports on all the other lakes. The grain trade on Lake Superior during this period was almost negligible. In 1855, about 10,000 barrels of flour passed through St. Mary's Falls Canals and during the six years from 1855 to 1860 the total amount of produce passing through the canals amounted to less than 150,000 barrels of flour and 275,000 bushels of grain other than wheat.[2] No wheat was shipped from Lake Superior ports until 1870.

Though grain and flour constituted the most important part of the products moving eastward over the Great Lakes, there was at the same time a considerable trade in other articles. Large quantities of pork, bacon, and other provisions were transported to Buffalo for the eastern trade. The receipts of provisions at Buffalo by lake in 1854, the year in which they reached a maximum, included 147,898 barrels of pork, 56,997 barrels of beef, 20,445,400 pounds of bacon, and 13,575,660 pounds of lard.[3] The lumber trade on the lakes was also very large, though only a small part of the lumber received at the primary lake markets found its way to the East, most of it being retained for building operations in the rapidly growing cities and towns of the Central States. Millions of feet of lumber were sent from the forests of Michigan and Wisconsin to the ports of Illinois and Ohio. A large part of it was used in these cities and most of the remainder shipped by railroad and canal to the cities of the interior. The receipts at Buffalo, in 1860, however, amounted to more than 100,000,000 feet of lumber (half of which came from Michigan) and 23,000,000 staves.[4] The lake trade in live-stock never attained large proportions. By the time stock-raising had reached an advanced state in the lake district, the railroads, which were better adapted than lake vessels to the transportation of cattle and hogs, were able to bid for and secure the traffic. The lake receipts of live-stock at Buffalo reached a maximum in 1852, and even for that year consisted of only 16,000 cattle, 171,000 hogs, and 16,000 sheep.[5] Hides, wool, and whisky formed a considerable part of the minor articles of lake traffic, and after 1850 soft coal was shipped from Ohio through Buffalo to central and eastern New York. The shipping of copper from Lake Superior began in 1845, when 1,300 pounds were sent east. This commodity soon became one of the valuable articles of the lake trade, the shipments amounting in 1860 to 8,614 tons, valued at $2,520,000.[6] The iron mines of the Lake Superior district began in 1855 to contribute to the lake traffic, and at the close of this period more than 100,000 tons of ore and 5,000 tons of pig-iron were being

[1] U. S. Census 1860, *Agriculture*, cl.
[2] *Monthly Summary of Commerce and Finance, Jan. 1900*, p. 1990.
[3] *Statistics of Foreign and Domestic Commerce, 1864*, p. 162.
[4] *Ibid.*, p. 163. [5] *Ibid.*, 164. [6] *Ibid.*, 154.

shipped annually from Lake Superior, most of it being destined for Cleveland and Pittsburgh.[1]

The west-bound shipments over the lakes were smaller in volume than the east-bound shipments, but they were of greater value. The Erie Canal provided an outlet for large quantities of merchandise from the city of New York, and the value of the goods sent to the Western States by way of the canal and lakes was greater almost every year from 1836 to 1860 than the value of western produce received at Buffalo and Oswego.[2] By 1850 the through traffic moving westward on the canal had a greater tonnage even than the local traffic intended for the people living within the State of New York.[3] The value of the traffic shipped through the canal in 1836 to be forwarded to the Western States was $9,723,250. With the exception of a few losses during the years immediately following, this amount increased steadily until it reached a maximum of $94,230,720 in 1853, after which there was a rapid decline because of the competition of railroads.[4] The shipments to the West were made up of a wide variety of commodities. Dry goods of all kinds, cordage, bagging, boots and shoes, earthenware, hardware, nails, railroad iron, machinery, paper, lead, articles of tin and copper, drugs, medicines, sugar, molasses, coffee, tea, tobacco, fish, salt, and coal, and in the years when emigration was heavy, large quantities of furniture, were included in the west-bound canal freight. From Buffalo and Oswego the traffic was transported on the lake vessels to various ports, whence, together with the products of those cities, it was distributed to the interior over the canals and railroads.

The growth of the shipping on the lakes serves as an index of the growth of the traffic carried on their waters. Previous to 1830, the vessels of the United States employed in the lake trade amounted to less than 7,000 tons. During the following three years this tonnage was more than doubled. By 1841 the total shipping belonging to the lake ports of the United States was more than 50,000 tons, five years later it was more than 100,000 tons, in ten years it tripled, and by 1860 amounted to 450,726 tons.[5] This tonnage included all vessels enrolled in the river and canal trade that centered at the various lake cities, and was not the tonnage of the shipping actually engaged in lake commerce. The actual shipping on the lakes, however, formed more than three-fourths of the above amount. In 1860 it amounted to 393,220 tons, of which 76,717 tons were owned in Canada and the remainder in the United States.[6] Two-thirds of the lake craft in 1860 were sailing-vessels, while the steamers and "propellers" made up 104,543 tons.

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[1] *Statistics of Foreign and Domestic Commerce*, 1864, p. 154; *Monthly Summary of Commerce and Finance, Aug. 1900*, p. 225.

[2] *Statistics of Foreign and Domestic Commerce, 1864*, p. 181. [3] *Ibid.*, 133. [4] *Ibid.*, 181.

[5] *Ibid.*, p. 143. [6] *Ibid.*, 144.

The remarkable development of the lake district and the rise of trade over the water-route between the Eastern and Central States resulted in the growth of many thriving and populous cities at points affording commercial advantages. The effect of the Erie Canal on the State of New York was to be observed in the rapid development of Troy, Utica, Syracuse, Rochester, and Buffalo, and as the tide of prosperity spread westward settlements on the lakes grew into large, flourishing cities. In 1840, no lake city west of Buffalo contained as many as 10,000 people, but twenty years later Cleveland had a population of 43,000, Detroit and Milwaukee more than 45,000 each, and Chicago 109,260, while in the interior such cities as Dayton, Fort Wayne, Lafayette, Peoria, Quincy, Dubuque, and Davenport arose under the stimulus of the lake commerce from little cross-roads villages to busy market cities varying in population from 10,000 to 20,000.[1]

Lying at the junction of the Erie Canal with Lake Erie, Buffalo became the chief point of transshipment of the large traffic coming from and going to the western region. Though smaller than Troy and Rochester in 1830 and 1840, it soon passed both these cities after the latter year, and by 1860 it had a population of more than 80,000. While not a great primary market for grain and provisions, Buffalo received nearly every year more than one-half of the grain and flour shipped eastward on the lakes, and it was by far the most important distributing point for goods destined for the Central States. Its receipts of grain, flour, and live-stock after 1845 were larger than those of any other city in the United States, and in 1860 more than $100,000,000 worth of merchandise destined for the Central States passed through the city. Oswego, located on Lake Ontario and connected by canal to Syracuse, stood next to Buffalo in the amount of grain received from the lakes, but its traffic even in its most prosperous years rarely attained half the volume of that at Buffalo, and usually it was much less than half.[2]

The two leading lake cities of Ohio were Cleveland and Toledo. To the former city came the flour, wheat, corn, and butter and lard from the rural districts of Ohio and Kentucky, merchandise from Cincinnati, and nails and hardware from Pittsburgh, while its canal and railroads carried into the interior the merchandise, furniture, and salt received from the East and millions of feet of lumber shipped in from the forests of Michigan.[3] Toledo for many years shipped more grain via the lakes than any other city except Chicago.[4] Canals reaching the Ohio River at Cincinnati and Evansville, and later a network of railroads extending through Indiana and western Ohio, poured large quantities of grain and provisions, both from those two States and from Kentucky,

[1] U. S. Census 1900, I, 430–434.
[2] *Statistics of Foreign and Domestic Commerce, 1864*, p. 159; U. S. Census 1860, *Agriculture*, cxlviii.
[3] *Report on Domestic Trade, 1845*, p. 378.
[4] *Hunt's Merchants' Magazine*, XL, 1859, p. 727.

Illinois, and Missouri, into Toledo for the lake trade, and Chicago sent flour over the Michigan and Southern Railway to this city to take water transportation further eastward.

Detroit, situated near the western extremity of Lake Erie, was the most important port of Michigan and shipped grain, live-stock, wool, and lumber from that State. This city was the largest primary market for Michigan produce and, like Toledo, it added to its commerce by forwarding by water large shipments of flour that came by rail from Chicago, in order to avoid the long trip through Lakes Michigan and Huron. The relation that Cleveland and Toledo bore to Ohio and Indiana, and Detroit to Michigan, Milwaukee bore to Wisconsin. The shipments of grain from that city did not begin until 1841, and in 1845 they amounted to only 133,260 bushels, but in 1860 it exported 9,995,000 bushels of grain, including flour, as well as large amounts of wool, live-stock, and meat.

Of all the lake cities Chicago had the most spectacular growth. Not mentioned in the census of 1830 and with a population of less than 5,000 in 1840, this city was in 1860 a metropolis of more than 100,000 people, having grain receipts almost as great as those of all the other primary grain markets combined,[1] and exporting annually nearly $50,000,000 worth of wheat, flour, corn, live-stock, meat, wool, whisky, and other agricultural products.[2] The year 1838 witnessed the first shipment of wheat from Chicago, consisting of 39 sacks. In 1840 the wheat exports of the city amounted to 100,000 bushels, five years later to more than 1,000,000 bushels, and in 1858, twenty years after the first shipment left the port, Chicago exported grain and flour equivalent to 20,000,000 bushels.[3] Flour was first shipped east from the city in 1844 and corn (which by 1860 formed more than one-half of Chicago's grain shipments) in 1847.[4] The receipts of lumber at Chicago after 1850 averaged nearly 300,000,000 feet each year,[5] most of which was used in the city or sent to the interior towns of Illinois and Indiana. The abundance of corn raised on the Illinois prairies gave that State a leading position in the raising of hogs and cattle, and Chicago rapidly developed into a great meat-packing center, rivaling Cincinnati in the number of hogs slaughtered annually and eventually assuming, in 1863,[6] the lead which it still retains.

TRADE VIA THE PENNSYLVANIA CANAL SYSTEM.

The trade through the Great Lakes and Erie Canal was without doubt the most notable feature of the commerce between the Atlantic coast and the interior of the country during the period from 1830 to

[1] *Hunt's Merchants' Magazine*, XL, 1859, p. 727.
[2] *Ibid.*, XXXVIII, 353; *Statistics of Foreign and Domestic Trade, 1864*, pp. 148–150.
[3] U. S. Census 1860, *Agriculture*, cxlix.
[4] *Monthly Summary of Commerce and Finance, Jan. 1900*, p. 2001.
[5] *Ibid.*, Nov. 1900, p. 1144. [6] *Ibid.*, Feb. 1900, p. 2285.

1860, but this route, though the most important avenue for the exchange of commodities between the two sections, by no means absorbed all the traffic. The main line of the Pennsylvania Canal system, completed in 1832, made it possible for both Philadelphia and Baltimore to maintain an extensive trade with cities of the Ohio Valley; but this trade, like the wagon trade preceding it, was largely one-sided, the westward movement of light merchandise exceeding the eastward movement of western agricultural and animal products. Very little grain was shipped over this route from the States west of Pennsylvania, and though large quantities of flour, pork, lard, beef, wool, tobacco, and hemp were sent annually from Pittsburgh to Philadelphia, they were not sufficient to pay for the cotton, woolen and leather goods, porcelain, earthenware, coffee, tea, spices, dried fruits, drugs, and liquors going westward from the latter city. The heavy balance of trade against the Central States was settled by drafts on New Orleans and New York, and with these bills the Philadelphia and Baltimore jobbers settled their unfavorable balances with New York and Boston, where they bought many of the manufactured articles which they shipped to the West.[1]

Nearly all the traffic between the Central States and Philadelphia passed through Pittsburgh, which was situated in an advantageous position at the western terminus of the Main Line Canal and occupied the same relation with regard to the trade over that waterway that Buffalo occupied with regard to the trade over the Erie Canal. From Pittsburgh the merchandise coming from Philadelphia and Baltimore was distributed by means of the Ohio River and the canals and railroads of the Central States among the towns of Ohio, Kentucky, Indiana, Illinois, Missouri, and Tennessee, and even to Mississippi and Arkansas.[2] In addition, Pittsburgh sold large quantities of iron, glass, and bituminous coal to the various cities down the river,[3] and received flour, provisions, and tobacco for local trade and for transportation to Philadelphia and Baltimore.

The through trade on the main line of the Pennsylvania Canals never approached the volume of the through trade on the Erie Canal, though the local trade over the entire canal system of Pennsylvania compared favorably with the local commerce of the New York State canals. In 1844 the traffic passing to and from the Central States over the Erie Canal was more than 350,000 tons, and in the same year the through traffic over the Pennsylvania Canal was less than 75,000 tons.[4] The inclined planes which carried the canal-boats across the mountains proved to be an expensive and cumbersome device and the annual cost of the maintenance and operation of that part of the main

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[1] *Hunt's Merchants' Magazine*, X, 1844, p. 323; XIII, 1845, p. 135. [2] *Ibid.*, X, 1844 p. 325.
[3] *Ibid.*, X, 1844, p. 323; *Monthly Summary of Commerce and Finance, Apr. 1900*, p. 2858.
[4] *Hunt's Merchants' Magazine*, XIII, 1845, pp. 130–136.

line improvement west of the Columbia Railway was invariably larger than the tolls received on the traffic passing over it,[1] though the toll-rates were always considerably higher than those charged over the New York waterways. Because of the lack of adequate transportation facilities, the trade of Philadelphia and Baltimore with the Central States suffered constant losses, and for a time New York seemed destined eventually to monopolize the entire commerce between the Atlantic coast and the Mississippi Valley.

TRADE VIA RAILROADS BETWEEN THE EAST AND THE WEST.

In 1841, however, the situation of the commerce between the Eastern and Central States was modified by the entrance of a new factor that foretold a great change in its subsequent development. The new factor was the Western Railroad, the completion of which gave through rail connection between Boston and Albany. Because of its isolated position, Boston had never shared in the direct trade with the Central States, but had been forced to sell its manufactured products through merchants of New York and Philadelphia and secure food products for the people of New England from the same sources. The new railroad completely altered the position of Boston and brought an era of great prosperity to the city. In 1844 the railway transported 300,000 barrels of flour from Albany and Troy to the cities of New England, and two years later[2] 361,000 barrels. New England manufacturers began to consign their wares directly to the merchants of the cities in the Central States. As Boston prospered, Philadelphia declined, losing not only one of its best markets for breadstuffs, but also a large part of the trade in New England dry goods and other manufactures that had formerly passed through the city to the West.[3]

The immediate success of the railroad between Boston and Albany fully demonstrated the practicability of the steam road and stimulated the belief that it possessed advantages superior to those of canals for handling nearly any kind of traffic, and the decade between 1850 and 1860 witnessed the beginning of the competition of the trunk-line railways with the canals for the through traffic between the East and West. The failure of the Pennsylvania Canal and the growing commercial prosperity of Boston incited the people of Pennsylvania to take decisive steps to win back some of the western trade to Philadelphia. That city had the distinct advantage of a shorter distance and a more direct route to the trade centers of the Ohio Valley, and needed only a thoroughfare across the crest of the mountains, connecting Philadelphia with Pittsburgh and later with Cleveland, Toledo, and Cincinnati, so that the grain and live-stock of the cereal-belt would come to the Delaware River in as large quantities as it was coming to the Hudson. In 1846 the Pennsylvania Railroad Company was chartered for the

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[1] *American Railroad Journal, 1856*, p. 35.

[2] *Hunt's Merchants' Magazine*, XVI, 1847, p. 325. [3] *Ibid.*, X, 1844, p. 324.

purpose of constructing a steam road that would unite Philadelphia and Pittsburgh. By 1854 the last link of the track was completed and trains were able to move from one city to the other. The business of the railroad immediately surpassed that of the old canal system. The inclined planes of the latter were replaced by a steam portage railway in 1855, but even that improvement failed to make its business remunerative, and in 1857 the State sold the entire "main line of public works" to the railway company. The railway company operated the portage railway less than three months, and it abandoned the canal between Johnstown and Pittsburgh in 1864, but the Susquehanna and Juniata division was maintained for nearly forty years to help in handling the movement of coal and stone.[1]

Even before the Pennsylvania Railroad was finished the New York Central, the New York and Erie, and the Baltimore and Ohio Railroads were carrying traffic between the eastern cities and the trans-Allegheny region.[2] The additional transportation facilities afforded by the trunk-line roads and the numerous railroads built throughout the Central States caused a large addition to the volume of trade between the eastern and central portions of the country and also brought about further changes in the course of internal commerce. In 1860 the Pennsylvania Railroad carried 99,747 tons from Philadelphia to Pittsburgh,[3] two-thirds of which consisted of dry goods, groceries, hardware, boots and shoes, drugs, and coffee, and 176,007 tons from Pittsburgh to Philadelphia, half of which was live-stock, flour, and grain.[4] The same year the New York Central Railroad transported eastward 293,529 tons of through freight, composed almost entirely of vegetable and animal food products,[5] and the through west-bound traffic on the road for the year amounted to 118,977 tons, of which more than 108,000 tons were classed as merchandise.[6] The traffic of the Erie and the Baltimore and Ohio Railroads was as large as that on the New York Central and Pennsylvania, and though only partly classified, was apparently composed of the same kind of commodities.[7] The through traffic on all four trunk-line roads was not yet as large as that passing through the Erie Canal.[8] However, the railroads had succeeded in getting two-thirds of the total flour traffic and practically all the merchandise and live-stock,[9] leaving to the canal only forest products and grain. In addition to the freight taken from the canal, the railroads easily secured the traffic that was accustomed to go from the Northern Central States to the eastern coast and to Europe by way of New Orleans. The lakes and canals had previously made inroads on the commerce down the

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[1]Hulbert, *Historic Highways*, XIII, 213–15. [2]See p. 228.

[3]*Statistics of Foreign and Domestic Commerce, 1864*, p. 124. [4]*Ibid.*, 138. [5]*Ibid.*, 140. [6]*Ibid.*, 126.

[7]*Ibid.*, 135; Lord, *The Effect of Secession on the Commercial Relations Between the North and South*, 34.

[8]*Statistics of Foreign and Domestic Commerce, 1864*, pp. 141, 180.

[9]*Monthly Summary of Commerce and Finance, Jan. 1900*, p. 1963.

river, but notwithstanding their influence on the course of trade, the river cities of Ohio and Kentucky continued to send the larger part of their exports southward until the railroads afforded through connections with the East.[1] The speed of the railroads and the superiority of New York as an importing point gave the direct rail routes to the East a decided advantage over the long roundabout route by way of New Orleans. In 1852 the Galena lead trade, which had long formed an important item of the river and coasting commerce of New Orleans, was captured by the railroads.[2] Flour and provisions of Illinois, Indiana, and Kentucky that had formerly been sent to Philadelphia, Washington, Baltimore, and other cities by way of New Orleans or New York were taken directly over the mountains to the points of consumption.[3] Shipments downstream from Cincinnati[4] and other important centers on the Ohio shrunk rapidly in volume and, even before the war broke out, the direct commerce of Cincinnati with the East was much larger than its trade with the South.[5]

The transportation of live-stock from the grain-belt to the Eastern States was taken over almost entirely by the railroads. Neither the Erie Canal nor Pennsylvania Canal had carried many hogs and cattle, though large quantities of meat, lard, and other animal products had been sent to the eastern cities over both these routes. After the rise of the pork-packing industry in Cincinnati and other cities of the Central States, but few live swine were sent to eastern markets. However, the trade in cattle continued to flourish. Large numbers of cattle were driven from Ohio (usually by way of Buffalo and Albany) to New York, where more were slaughtered than in any other city. Illinois, too, raised many cattle, but the distance was too great to permit the driving of fat stock to the eastern coast, and consequently the Illinois farmers sent their cattle to Ohio, where they were fattened for the New York market. The cattle trade of Ohio thus had a period of great prosperity up to 1850, but after that year it quickly declined.[6] The advent of the railroad put an end to the practice of driving fat cattle to distant markets. Moreover, the railroads brought the Illinois prairies nearer to the Atlantic coast than the cornfields on the Scioto had been during the preceding years, and it was no longer impossible for the Illinois farmers to feed their own stock and send it directly to New York and Philadelphia. Ohio was soon surpassed in the production and sale of corn-fed cattle by the corn-raising States farther west. The transportation of cattle was an important source of profit to the western railroads and to the trunk lines, and large numbers of hogs and sheep were shipped from the Central to the

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[1] DeBow, *Resources of the Southern and Western States*, I, 253.
[2] *Report on Internal Commerce, 1887*, p. 212. [3] DeBow, *Ibid.*, III, 16.
[4] U. S. Census 1860, *Agriculture*, clviii. [5] *Report on Internal Commerce, 1882*, Appendix 7, 83.
[6] U. S. Census 1860, *Agriculture*, cxxx.

Eastern States, constituting almost a totally new element in the commerce between the two sections. In 1859 live-stock furnished a larger amount of the through eastward traffic of the Pennsylvania Railroad than any other single commodity,[1] and the other trunk lines and the railways radiating from Chicago, Toledo, and Cincinnati transported each year an increasing number of animals destined for the slaughtering-pens of the East.[2]

While the new railroads in the Northern States were making such marked changes in the course of internal trade, a similar transformation was occurring in the South. Interstate commerce between the eastern and western sections of the Southern States before 1849, aside from some traffic in slaves, was unimportant. Georgia and South Carolina each had a large internal trade of its own, but very few of the exports from either State were drawn from beyond its western border. In 1849, when the Western and Atlantic Railroad began to run trains from Chattanooga to the Atlantic coast, the planters of northern Alabama and Tennessee, who had always sent their cotton to New Orleans and Mobile for exportation, turned to the markets of Charleston and Savannah. The cotton receipts at Charleston advanced from 261,000 bales in 1848 to 458,000 bales in 1849, and those of Savannah from 255,000 to 391,000 bales, while the receipts at New Orleans fell off nearly 100,000 bales.[3] The short crop of 1850 caused a curtailment in the receipts of all the southern ports, but it was noticed that Charleston and Savannah together received 35 per cent of the total crop and New Orleans, where two years before more than one-half the cotton crop had been marketed, received only 38 per cent.[3] The shifting of the center of cotton production farther westward and the continual increase of the annual crop enabled New Orleans to make up for the losses to the South Atlantic ports, but these cities, nevertheless, easily maintained their increased trade, the receipts at Savannah rising in 1860 to 525,219 bales and those of Charleston to 510,109 bales.[4] After the completion of the railroad from Chattanooga to Nashville in 1854 the South Atlantic ports competed with New Orleans and the cities on the Ohio River and the Great Lakes for the merchandise trade of Alabama, northern Mississippi, and Tennessee, and the provisions for Georgia and South Carolina came by rail from Kentucky and Tennessee, the coasting trade on the Atlantic seaboard both losing and gaining by the changes in the course of trade.[5]

Thus by 1860 railway connection was established between the Central States and the Atlantic coast from Massachusetts to Georgia. A half century before, the direct exchange of products between the East and the West had been impossible and it seemed that the Appa-

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[1] *Statistics of Foreign and Domestic Commerce, 1864*, p. 138. [2] *Ibid.*, 140, 149, 157, 164.
[3] DeBow, *Resources of the Southern and Western States*, II, 555.
[4] *Report on Internal Commerce, 1886*, lxxi. [5] *Ibid.*, 374.

lachian highland was to remain an insuperable barrier to close economic and commercial relations between the two great productive regions of the country. The Erie Canal fully demonstrated the value of an eastern outlet for the agricultural and forest products of the great central valley, but the benefits derived from the commerce passing through that waterway had been reaped by only a limited portion of the land, and jealousy and dismay had been the part of the sections not served by the Erie Canal. The railroads could penetrate any region, and with their power to surmount physical and climatic difficulties they were able to distribute the domestic trade more equitably and permit all portions of the country to enjoy in full the benefits arising from their natural economic advantages.

INTERNAL TRADE BETWEEN THE NORTH AND THE SOUTH.

The general character of the commerce between the North and South between 1830 and 1860 differed little from what it had been before that period. East of the Appalachian highlands the exchanges were cared for by the coasting-trade. There was no through rail connection between the two sections until near the close of the period, and consequently almost the entire internal commerce between the North and South, aside from that in slaves and live-stock, consisted of the trade on the waters of the Mississippi River system. A history of the trade between the North and South from 1830 to 1860 is therefore little more than an account of the commerce on the Mississippi.

This period was the golden age of the river trade. Each year it increased steadily in volume, reaching a point of prosperity in 1860 never equaled before or since. Notwithstanding the fact that the Erie Canal, during each year after its completion, carried to the Atlantic seaboard an increasing volume of surplus food products for which formerly the Mississippi River provided the sole outlet, the shipments of flour, grain, and provisions down the river grew almost constantly in magnitude. Until the railroads began to compete for the traffic in flour and provisions after 1850, the cities on the Ohio River sent most of the produce collected at their markets to New Orleans to be shipped to Europe and the Eastern States or to be sold to the planters of the cotton-belt. And even after 1850, when the surplus agricultural produce of the Ohio River country, upon which New Orleans had formerly depended mainly for its supplies, was almost entirely diverted from the river, its place was taken by that coming from the fertile region around St. Louis, where thousands of immigrants from the Eastern States and Europe came to found new homes. Moreover, the loss of traffic in agricultural produce from Pennsylvania, Ohio, and Kentucky was compensated for by the increasing volume of manufactured goods and coal coming down from Cincinnati, Louisville, and Pittsburgh. Thus the downstream movement from the North, though

suffering a heavy relative loss because of the canal and railway competition, made an absolute gain, and, with the enormous amounts of cotton shipped from the Southern States into New Orleans added to this traffic, the Mississippi River carried considerably more produce to the sea than either the Hudson River or the eastern railroads. As before 1830, the trade up the river failed to keep pace with the growth of the movement downstream. New Orleans, though continuously holding the lead in the value of domestic produce exported abroad, received but a small fraction of the imported wares entering the country. Of the shipments upstream from that city, 75 per cent were articles previously sent downstream that had been brought to New Orleans to be resold to the planters of Mississippi, Louisiana, and Arkansas.[1] The region north of these States bought sugar and coffee from New Orleans, but, as before 1830, it drew nearly all its manufactured and imported goods directly from the East, except occasionally some heavy articles of iron which could be transported more cheaply by water through the southern city.

The sales of manufactures and food by northern merchants and farmers to the southern planters, which had begun when the South adopted cotton as a staple, had a steady and uninterrupted growth during this entire period. Levi Woodbury, writing in 1833 of the things he saw in a trip down the Mississippi, said:

> "At every village we find from ten to twenty flat-bottom boats, which besides corn on the ear, pork, bacon, flour, whiskey, cattle, and fowls, have a great assortment of notions from Cincinnati and elsewhere. Among them are brooms, cabinet-furniture, cider, plows, apples, cordage, etc. They remain in one place until all is sold out, if the demand be brisk; if not, they move farther down. After all is sold they dispose of their boat and return with the crews by the steamers to their homes."

As the years went by and the plantations grew larger and the planters wealthier, this practice of peddling from wharf to wharf along the river gradually died out. The planters engaged men at New Orleans to act as their agents in the sale of their cotton and the purchase of supplies for the plantations, and as this custom spread it became necessary for flat-boats and steamers to carry their cargoes to New Orleans, where they were bought and shipped in small packet-boats back up the river.

The flat-boat trade on the Mississippi, which had been surpassed by the steamer traffic even before 1830, continued to form an important part of the river commerce for many years. As late as 1846, the flat-boat arrivals at New Orleans numbered 2,792, over half of which came from Ohio and Indiana. After that year there was a gradual decrease, and in 1855 only 718 arrivals were noted, 249 coming from Indiana with cargoes composed largely of hay, and 203 coming from Pittsburgh with coal. After 1856 the flat-boats ceased to be a factor in the river traffic and were no longer listed among the arrivals at New Orleans.[2]

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[1] *Report on Internal Commerce, 1887*, p. 205. [2] *Ibid.*, 222.

Of the profits and benefits arising from the growth of the river trade, New Orleans received the largest share. Between 1830 and 1840 no city in the country kept pace with the southern metropolis in the increase of wealth and trade, and though it fell behind relatively during the next two decades, because of its inability to hold the traffic from the agricultural region of the upper Mississippi Valley, it never suffered the slightest retrogression. It continued to hold its position as the largest city west of the Appalachian highland, advancing in population from 46,310 in 1830 to 102,193 in 1840, and it contained 168,175 people in 1860.

The value of the receipts of produce from the interior at New Orleans in 1830 amounted to $22,065,518.[1] In 1840 the total value was $49,763,825.[1] In 1850 it was $96,897,873, and in 1860 it reached the large figure of $185,211,254.[2] The largest part of this great increase resulted from the growth of the cotton receipts, which in 1860 constituted 60 per cent of the value of all commodities entering the city. The receipts of "western produce," which in 1820 formed 58 per cent of the commodities coming to New Orleans, gradually fell in relative value until in 1860 they amounted to only 23 per cent of the total receipts.[3] But though showing a relative decline, the receipts of provisions and merchandise had a gradual and steady aggregate increase. The receipts of flour at New Orleans, which in 1832 amounted to only 221,000 barrels, advanced to 1,618,000 barrels in 1847, and during the five-year period from 1856 to 1861 they averaged annually 1,150,000 barrels.[4] The receipts of bacon, hams, lard, and pork in 1846 amounted in value to $7,635,208[5] and in 1856 to $16,621,099,[6] and the receipts of corn, wheat, and whisky, though declining slightly in the ten years, still amounted to more than $7,000,000 in 1856.[5] Other important products coming down the river from the Northern States were rope, bagging, lead, oats, hay, potatoes, beef, butter, hides, hemp, staves, and coal,[5] and from the States on the lower Mississippi, New Orleans drew besides cotton large quantities of sugar, molasses, and tobacco. As a cotton market the city had no rival. In 1850, $41,885,156 worth of this great staple was sold in New Orleans, and ten years later the amount was $109,389,228, an increase of 160 per cent. Charleston and Savannah captured some of the cotton trade when their railroads were extended into Alabama and Tennessee, but, notwithstanding this, New Orleans easily maintained the lead.

Of the cities up the Mississippi, St. Louis derived the most benefit from the river commerce. Until after 1855 St. Louis remained strictly a river city, entirely dependent upon the river for both the importation and exportation of the large quantities of flour, grain, meat, tobacco, lead, manufactured goods, and merchandise that entered and left its busy markets. Before railway connection was established between

[1] *Report on Internal Commerce, 1887*, p. 199. [2] *Ibid.*, 209. [3] *Ibid.*. 215.
[4] *Monthly Summary of Commerce and Finance, Jan. 1900*, p. 1959.
[5] *Report on Internal Commerce, 1887*, p. 219. [6] *Ibid.*, 220.

St. Louis and the East over the Ohio and Mississippi Railroad (1855) practically all the commodities leaving the city sought a market in New Orleans and the smaller cities on the lower Mississippi.[1] But though most of the steamers leaving St. Louis were destined for New Orleans, the number of arrivals from the Ohio River greatly exceeded the arrivals from the Louisiana city,[2] for St. Louis, like Cincinnati and Pittsburgh, secured most of its merchandise and manufactured goods from the eastern ports instead of New Orleans. The trade of St. Louis grew to large proportions after 1840. It was the point for the concentration of the agricultural produce of much of Illinois, Iowa, and Missouri, and was likewise the point from which eastern manufactured goods were distributed to many of the inhabitants of those States. In 1838 St. Louis was still obliged to purchase flour for its own consumption, but seven years later it was selling flour to both the Atlantic and the Gulf States.[3] In 1857 its receipts and manufactures of flour combined amounted to 1,221,155 barrels, and the same year its receipts of wheat were 3,330,395 bushels and of corn 2,766,062 bushels.[4] Chicago was the only interior city that surpassed it as a primary grain market.[5] As a market for meat, hides, whisky, and tobacco it rivaled all the leading cities of the Central States. It was the principal depot of the American Fur Company and handled more furs than any other city in the United States, the skins of bison and other wild animals of the western plains forming each year a valuable part of its trade. In population St. Louis had a phenomenal growth. In 1830 it contained only a little more than 5,000 people, and in 1840 only 16,469, but by 1845 its population had advanced to 63,491, and in 1860 it reached 160,773. After St. Louis secured railway connection with the East, a large part of the traffic entering the city from Pittsburgh and Cincinnati was transferred to the railroads, and at the same time some of the traffic leaving the city was diverted from the southern river route to the eastern railway route. However, the volume of trade taken from New Orleans was not very large at first, and the movement of commodities toward the south showed no marked decline until the outbreak of the Civil War. Like New Orleans, St. Louis was still a river city in 1860.

THE TRADE OF CINCINNATI.

Cincinnati, Louisville, and Pittsburgh continued to be the important commercial centers on the Ohio River. The prosperity of these cities was greatly enhanced by the building of the canals that gave them an outlet to the East. Cincinnati in particular was benefited by the acquisition of the eastern outlet for its hog products, flour, and grain. Centrally located at the junction of water routes to both the Atlantic and the Gulf coasts, this city profited enormously from the competition between the eastern and southern markets for the produce of the Ohio

[1] *Report on Internal Commerce, 1887*, p. 53. [2] *Hunt's Merchants' Magazine*, XV, 1846, p. 167.
[3] *Ibid.*, 164. [4] *Ibid.*, XXXVIII, 1858, pp. 222–224. [5] *Ibid.*, XL, 1859, p. 727.

Valley. The chief effect of the Ohio State canals on the trade of Cincinnati was to enable its products to command higher prices in the Southern States rather than to turn the course of its trade suddenly to the East. Until the trunk-line railroads began to compete with the river the merchants of Cincinnati found their most important markets toward the south. A considerable quantity of meat and flour was sent to Toledo, Cleveland, and Pittsburgh for transportation to the east, but the diversion of the Ohio Valley traffic from the southern route before 1850 was accomplished mainly by the concentration at Toledo and Cleveland of much produce that would have come to Cincinnati had the Erie Canal not been constructed. Table 14, which is part of one given by DeBow, showing the destination of certain articles shipped from Cincinnati in 1850–51, indicates how greatly the southern trade exceeded that to the east.[1]

TABLE 14.—*Destination of specified articles shipped from the port of Cincinnati, 1850–51.*

Commodity.	To New Orleans.	To other down-river ports.	To up-river ports.	By canals and railways.	By flat-boats.
Beef, barrels	19,319	68	314	236	1,611
Butter, firkins and kegs	35,200	959	15	8	315
Cheese	69,258	48,432	2,165	1,900	920
Candles, boxes	76,245	20,272	10,695	6,195	522
Flour, barrels	281,609	95,943	7,719	4,859	95,877
Lard, barrels	22,854	117	3,277	4,143	1,821
Lard, kegs	56,380	5,358	5,739	2,823	1,587
Pork, barrels	112,622	1,055	3,801	4,608	3,781
Pork, pounds	1,345,860	755,860	1,559,280	1,092,953	525,820
Whisky, barrels	140,661	56,164	31,231	3,268	17,980

This table reveals plainly that, with the exception of meat products, the shipments from Cincinnati to the eastern cities were very small in comparison to the shipments to the cotton States, and that the river commerce of the city was by far the most important element of its trade. Under the stimulus of its commercial prosperity Cincinnati grew very rapidly in population from 24,831 in 1830 to 115,436 in 1850, and 161,044 in 1860, at which time it was the second largest city west of the Appalachian highland and a close rival of New Orleans for first honors. After 1850 the railroads accomplished what the canals had only partly effected: they altered the course of the main current of the Cincinnati export trade and transferred the chief commercial interests of the city from the South to the East. In 1855 the value of the exports from Cincinnati to the East was almost equal to the value of the exports to the South.[2] During the three years preceding 1860 the shipments of flour and wheat from Cincinnati stood as shown in table 15.[3]

[1]DeBow, *Resources of the Southern and Western States*, I, 253.

[2]*Report on Internal Commerce, 1882*, Appendix 7, 83. [3]U. S. Census 1860, *Agriculture*, clviii.

Thus at the outbreak of the Rebellion, Cincinnati had ceased to be strictly a river city, and the commerce of the Mississippi had received a blow from which it was never to recover, though, as indicated before, the increase of the amount of merchandise and coal floated down the Ohio, the growth of the cereal shipments from the St. Louis district, and the constant development of the cotton trade prevented any immediate decrease in the volume of receipts entering New Orleans.

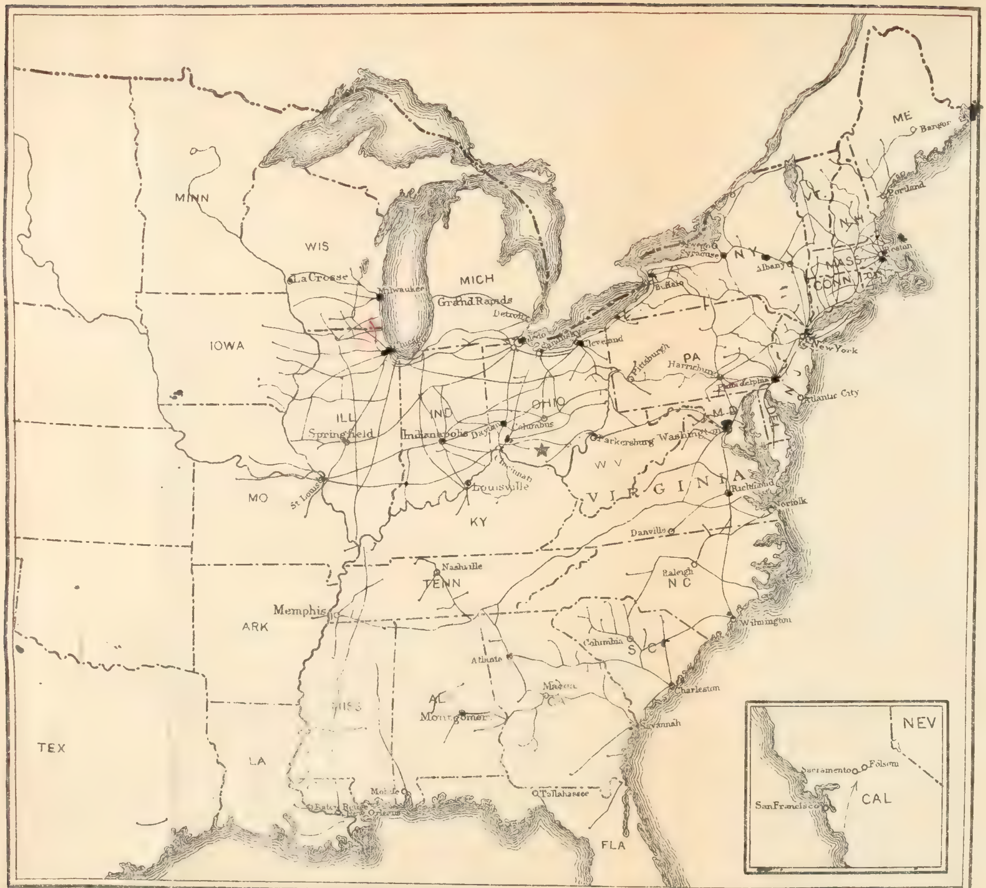
TABLE 15.—*Shipments of flour and wheat from Cincinnati, 1857, 1858, 1859.*

Commodity.	1857		1858		1859	
	South.	North.	South.	North.	South.	North.
Flour, barrels......	162,565	445,650	17,569	544,570	92,919	385,389
Wheat, bushels.....	30,446	601,214	1,182	270,531	11,341	310,154

Thus the river trade of the Mississippi Valley maintained an important position in the domestic commerce of the United States. Notwithstanding the relative losses it suffered, it never failed to exhibit an annual increase, and the last year of this period (1859–60) was the "best year on the river." This year stands on record yet as the maximum of river prosperity, showing the largest receipts at New Orleans and the heaviest trade the lower part of the river has ever carried. However, the growth of commerce on the Mississippi had failed signally to keep up with the growth of wealth and population of the great area that the river drained. The bulk of the produce of the Ohio Valley had been diverted to the railroads and canals and only one-fourth of it was being carried to the South.[1] Charleston and Savannah had captured the trade of northern Alabama and eastern Tennessee, and after 1850 the Mobile and Ohio Railroad began to carry much of the cotton of Mississippi to the Alabama seaport.

The enormous growth of the grain traffic on the eastern routes to the seaboard and the relative decline on the southern route, and the diversion of the cotton traffic to other Gulf ports and the cities on the south Atlantic coast, engendered in the minds of some commercial leaders of New Orleans grave fears for the continued prosperity of the river trade. DeBow, in a speech at Nashville, in 1851, declared that northern enterprise had "rolled back the mighty tide of the Mississippi and its ten thousand tributary streams until their mouth, practically and commercially, is more at New York and Boston than at New Orleans,"[2] and he earnestly exhorted the people of the South to construct railroads radiating from the Crescent City, by which it was asserted, "the travel and much of the trade" would be taken off on the very banks

[1] *Report on Internal Commerce, 1887*, p. 215.
[2] DeBow, *Resources of the Southern and Western States*, II, 484.



MAP OF THE RAILROADS IN THE UNITED STATES IN 1860.

(From Scribner's Statistical Atlas of the United States, 1883.)

of the rivers.[1] Such warnings and appeals were unavailing. New Orleans remained apathetic, partly because of the prosperity resulting from the tremendous growth of its cotton trade, and partly because of the impossibility at that time of convincing the people that railroads could successfully compete with river transportation.

However, evidence was not lacking that railroads would ultimately gain the ascendancy over the river, even in the transportation of cotton and other southern products. One notable proof of the superiority of the railroad was the rise of the so-called "overland movement" of cotton, which in 1859 began to take on large proportions. In that year 106,678 of the 786,521 bales of southern cotton consumed in Northern States were transported to the factories entirely by rail. In 1855 only 7,661 bales had been shipped north on the railroads, and in 1850 practically all of the 475,702 bales used in the northern mills had been transported in coasting vessels to the northern seaports.[2] None of the cotton sent north by rail passed through New Orleans. The development of the overland movement injured both the river and the coasting trade. It represented a definite loss to the commerce of New Orleans and at the same time added a new factor to the internal trade between the North and South. Furthermore, it indicated that the trade on the lower Mississippi was beginning to decay and that it was doomed inevitably to sink to relative insignificance whenever a network of railways overspread the region from which the river drew its traffic. Another generation was to see the construction of railroads to parallel the great natural highway and witness the fulfillment of the "Cassandra warnings" uttered by DeBow and others during the decade before the war.

Next to the river commerce, the trade in live-stock and slaves was the most important element in the commercial intercourse between the North and South. Each year large droves of horses, mules, cattle, and hogs were driven into the South from the northern and "border" States. It was estimated in 1845 that in the preceding twenty years the southern planters had spent $900,000,000 in the neighboring States for mules, horses, implements, and clothing.[3] Buckingham stated in 1841 that 10,000 horses and mules came every year from the Middle Atlantic and Western States to the South Atlantic States.[4] Rearing mules for the southern markets was an important occupation in Kentucky and Tennessee, where the extensive grazing-lands could be used for that purpose more profitably than for any other, and the farmers all over the corn-raising section of the country found an unfailing source of gain in the demand for live-stock in the southern cottonfields.

[1]DeBow, *Resources of the Southern and Western States*, II, 456.
[2]*Report on Internal Commerce, 1879*, pp. 122, 128.
[3]Ingle, *Southern Sidelights*, 55.
[4]Buckingham, *Slave States in America*, II, 203; also in Callender, *Economic History of United States*, 292.

The domestic slave-trade of the United States commenced to be of importance after 1820, when cotton culture, with which the institution of slavery was so intimately connected, began to spread among the States along the Gulf. During the years from 1830 to 1860 the slave traffic was very large. The price of an adult negro in 1790 had been $200, but as the demand for slaves in the cotton-belt expanded, the price rose until in 1840 it was $500; in 1850 it was $1,000, and in 1860 good plantation hands brought from $1,400 to $2,000 each.[1] Slaves were sent to South Carolina, Georgia, Alabama, Mississippi, Louisiana, Arkansas, and Texas, from plantations in Virginia, Maryland, North Carolina, Kentucky, Tennessee, Missouri, and Delaware, the slaveholders in the latter group of States finding it more profitable to dispose of their negroes at the prices prevailing in the cotton States than to keep them for labor on their farms. Though no statistics of the volume of the internal slave traffic exist, evidence from contemporary accounts make it plain that the trade was unquestionably extensive. Olmsted in 1856 estimated that considerably more than 20,000 negroes were sent annually from the border States to the cotton States,[2] and at the prices then existing the traffic must have had a value approaching $30,000,000 a year, thus giving it an important place among the commercial interchanges between the North and South.

INTERNAL TRADE OF THE FAR WEST

Long before Texas had gained independence or the California territory had passed into the possession of the United States, enterprising merchants on the western frontier began trading with the Mexican settlements situated in what is now the State of New Mexico. In 1821 a small caravan of pack horses went from Franklin, Missouri, to Santa Fe with dry goods and other light merchandise. Large profits were realized on very small quantities of goods, and the traders were encouraged to expand their business. In 1824, wagons drawn by mules and oxen were introduced as a means of transportation, and the same year the old "Santa Fe Trail" was made an authorized road by an act of Congress. By 1843 the export trade with the Mexican settlements in the Southwest had grown to an annual value of nearly $500,000.[3] For a few years the trade was almost entirely shut off by the hostile action of President Santa Ana, but after the occupation of the western territory by the United States troops in 1846 it began again and assumed larger proportions than ever before. From 1847 to 1859 the average annual value of merchandise carried in wagons to New Mexico was about $1,150,000, and in 1860 the total value was $3,500,000.[4] The chief shipping-points were Independence and Kansas City, Missouri.

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[1]Hammond, *The Cotton Culture and the Cotton Trade*, 51. [2]*The Cotton Kingdom*, I, 58.
[3]*Report on Internal Commerce, 1889*, p. 563; *Hunt's Merchants' Magazine*, XI, 1844, p. 475.
[4]*Report on Internal Commerce, 1889*, p. 565.

Transportation was supplied by regular freighters, who employed a large number of men to conduct the white-topped "prairie schooners" across the broad expanse of unsettled country between the Missouri River and the mountains. New Mexico paid for its imports with bullion and wool produced within the Territory, and with the money secured by the sale of sheep driven to California or by the sale of the scanty agricultural produce, which was disposed of at remunerative rates at the government military posts and Indian agencies.[1]

In addition to the wagon trade with New Mexico, the Missouri River cities carried on a similar commerce with Utah, which was occupied by the Mormon settlers in 1848. Utah was closer to California than to the Missouri River points, but the inferiority of the roads to San Francisco made transportation to that city more expensive than to Kansas City or Leavenworth. The traffic carried to the Mormon settlements consisted chiefly of dry goods, groceries, hardware, and drugs. No statistics of the volume of trade were kept, but it is estimated that it never reached more than 12,000 tons a year, which was somewhats maller than the trade with Santa Fe.[2]

When gold was discovered in Colorado in 1859 there was an immediate rush of settlers to that territory, which was accompanied by the rise of a heavy trade in tools and provisions. A stage-line was started between Leavenworth and Denver to accommodate the gold-seekers hurrying to the newly found deposits, and the next year (1860) the line was continued to Salt Lake City. A line was already in operation between that city and San Francisco, and thus regular passenger service was established entirely across the United States.[3]

There was no overland freight traffic to or from the Pacific coast. The commerce of California with other parts of the country, aside from the sheep trade with New Mexico, was all carried on around Cape Horn or across Central America. The internal trade within California itself, however, was extensive. Mining camps in the mountains drew from San Francisco their supplies of tools, machinery, and food, which were shipped in boats up the Sacramento and San Joaquin Rivers and hauled in wagons to the mining districts. The freight rates on the rivers were $75 a ton and the rates for land transportation were simply enormous,[4] while passenger fares were strictly in keeping with the charges for freight service. San Francisco was a city of 58,802 in 1860 and its manufacturing establishments turned out more than $19,000,000 worth of products, the most important of which were flour, sawed lumber, sugar, and liquor,[5] all made from products carried to the city in boats and wagons. Only 30 miles of railroad were to be found in California in 1860, but the growth of industry and commerce promised a rapid accumulation of capital that was to develop

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[1]*Report on Internal Commerce, 1889*, p. 566. [2]*Ibid.*, 1890, p. 853. [3]*Ibid.*, 1890, p. 123. [4]*Ibid.*, 1890, p. 124. [5]*Ibid.*, 373.

a transportation system within the State as well as assist in the construction of the transcontinental railroad line to connect the Far West with the loyal States of the East.

SUMMARY.

The expansion of the volume of the internal trade of the United States during this era of industrial and agricultural expansion more than justified the expectations existing in 1830. The improvement of the facilities for communication and transportation permitted a continually increasing accentuation of territorial division of labor, which fostered the growth of mutual dependence between regions where geographic, social, or other conditions led naturally to the predominance of a special type of industry. The manufacturing and commercial population of the Northeastern States was fed by the farm products of the Central States, and the inhabitants of the Central States drew their imported supplies, clothing, shoes, and large quantities of general merchandise from the eastern markets. The South relied almost entirely upon the North for food, manufactures, and imported goods. In 1860 the wheat production in Florida, Alabama, Mississippi, Louisiana, Arkansas, and Texas amounted to only a peck for each inhabitant. Food for the entire cotton-belt was raised in northern fields, and the clothing, tools, and machinery consumed in the Southern States were made in northern factories. The North in turn bought from the South raw materials for northern sugar and cotton industries, and northern shipping interests carried to European markets the heavy exports of southern cotton, the proceeds from which paid the southern debts in Northern States and settled the large unfavorable balance of the northern foreign trade.

Domestic trade was several times larger than the foreign trade. Foreign exports comprised but a small fraction of the great volume of wealth annually produced. In the treasury report of 1847–48, Secretary Robert J. Walker said:

"The value of our products exceeds three thousand millions of dollars. Our population doubles once in every twenty-three years and our products quadruple in the same period. Of this \$3,000,000,000 only about \$150,000,000 are exported abroad, leaving \$2,850,000,000 at home, of which at least \$500,000,000 are annually interchanged among the States of the Union."

In 1854 DeBow estimated the value of home and foreign commerce at \$1,500,000,000. It is probable that in 1860 the interstate commerce alone amounted to almost \$1,000,000,000.

Israel D. Andrews gave the estimate of the amount and value of domestic trade that is presented in table 16.[1]

Before 1830 the chief problem in regard to internal commerce had been the creation of a market for the agricultural produce of the great

[1] *Report on Colonial and Lake Trade* (prepared in 1852), p 905.

central grain-belt. There was an urgent necessity for the development of a non-agricultural population that would consume the superfluous supply of food products and give the farmers an opportunity to exchange their grain for commodities which they could not produce for themselves. During this period the development of manufacturing in the North, the spread of cotton culture in the South, and the opening of foreign markets to American grain created the demand for cereal products and relieved the embarrassed agricultural interests of the grain States. Of these three factors, the development of manufacturing was by far the most important. As factories multiplied in the Northern States, large industrial and commercial cities arose, and the population

TABLE 16.—*Estimated tonnage and value of domestic commerce, 1851 and 1852.*

	Net. [Less duplications.]		Gross.	
	Tons.	Value.	Tons.	Value.
Estimate of 1851:				
Lake commerce	1,985,563	$157,236,729	3,971,126	$314,473,458
River commerce	2,033,400	169,751,372	4,066,800	339,502,744
Aggregate	4,018,963	326,988,101	8,037,926	653,976,202
Estimate of 1852:				
Coasting trade	20,397,490	1,659,519,686	40,794,980	3,319,039,372
Canal commerce	9,000,000	594,000,000	18,000,000	1,188,000,000
Railway commerce	5,407,500	540,750,000	10,815,000	1,081,500,000
Aggregate	34,804,990	2,794,269,686	69,609,980	5,588,539,372

of these great urban centers consumed the largest part of the surplus produce of the farmer and provided the market so urgently needed. The growth of the cotton industry in the South and the rise of the foreign grain-trade were also important factors in the solution of the problem of securing a market, but the amount of produce of the Central States consumed in the South and in Europe was small in comparison to the large shipments made to eastern manufacturing districts or in comparison to the quantity consumed in the manufacturing and commercial centers of the grain-belt itself.

To what degree the tariff legislation of 1824 and 1828 was responsible for the growth of manufacturing in the United States has been a debatable question. That manufacturing continued to grow after the tariff had been reduced to what was almost a revenue basis is evidence that protective duties were not needed to sustain the manufacturing industries, but whether these industries would have been started on as large a scale without the encouragement afforded by the tariff legislation previous to 1830 is at least uncertain. Whatever may be the merits of the

arguments concerning the tariff of this period, the fact remains that the development of manufacturing was the chief factor in solving the difficulty of supplying a market for agricultural produce. Furthermore, the enactment of the tariff laws of 1824 and 1828 represented an effort on the part of the people to employ legislative measures to ameliorate their economic condition. When it was no longer deemed necessary to retain high import duties for the purpose of creating a market, the policy of protection was gradually abandoned, and the provisions of the tariff measures enacted in 1846 and 1857 were governed chiefly by considerations in regard to the revenues of the Federal Government.

The problem of supplying adequate transportation facilities continued to confront the nation during this period, and in the solution of this question the people employed their political institutions. Nearly all of the numerous canals built throughout the country after 1825 and some of the earliest railroads of the Central States were public enterprises undertaken by the State governments. However, the States were financially and administratively unable to cope alone with the transportation problem. Many of them embarked in unwise costly ventures foredoomed to failure; bankruptcy and repudiation followed, and the private corporation replaced the State in the field of transportation. But though the corporations assumed the initiative and control, they were unable to carry out their various projects alone, and it was by means of generous aid given directly by local and State governments, and indirectly by the Federal Government, that the transportation system of the country was developed.

It was unfortunate that the Federal Government, while so active in developing markets and providing transportation facilities, was not equally active in attempting to establish a satisfactory currency system. In 1837 the country was visited by a disastrous financial panic, directly attributable to ill-advised financial administration by the government and to extravagant speculation, much of which would have been impossible had there existed a system by which the issue of credit money could have been properly regulated. Again, in 1857, an era of speculation culminated in a panic, which, however, was not so severe nor so long protracted as that of 1837. Both these crises seriously impeded industry and commerce, but because of the abundance of real wealth in the country there was in neither instance a great retardation of material progress.

On the whole, the period from 1830 to 1860 was one of great prosperity and contentment. The wealth of the country grew enormously, and for the most part it was equally distributed, there being few paupers and few very rich individuals. The twenty years following 1840 have been called the "golden age" of American history, and as far as concerns the widespread diffusion of material comforts they deserve the name.

Notwithstanding the great material prosperity that attended the country, however, the spirit of sectionalism which had arisen during the contest over the adoption of the "American system" remained strong even after the question of protection had practically ceased to be an important political issue. Feeling that the economic progress of the North had been effected largely at the expense of the South, and fearful that the propaganda of the abolitionists and the successful efforts of the northern political leaders to restrict the territorial extension of slavery foretold the ultimate intention of destroying that institution altogether, the southern people decided to sever the political bonds between the two sections, the economic institutions of which differed so widely, and to establish a separate State whose political ideals would conform to the economic conditions and social ideals of the South. This decision the South stood ready to enforce by an appeal to arms; the people of the North preferring "to accept war rather than that the nation should perish," made ready to prevent the proposed dissolution of the Union; and the era of general happiness and comfort ended amid the rumblings of the impending struggle.

CHAPTER XV.

ECONOMIC DEVELOPMENT, 1860 TO 1900.

The Civil War marked a notable turning-point in the economic history of the United States. National development since 1860 has been shaped to a large degree by fundamental political and economic changes that occurred during the war—changes which were, for the most part, the effect of various expedients resorted to by the Federal Government to enable it to bring the struggle for the preservation of the Union to a successful issue. To crush the military strength of the South the Federal authorities adopted the expedient of the abolition of slavery and, to the surprise of both the North and the South, "the cause of the conflict ceased before the conflict itself," and the country emerged from the war freed of the greatest obstacle to its social homogeneity. To secure revenue for the prosecution of the war, the duties on imports were raised between 1861 and 1866 to an unprecedented point, and when Congress failed, after the return of peace, to reduce the tariff schedules to their old level, manufacturing interests found themselves protected by a tariff so high that foreign competition was largely eliminated. To secure needed aid in financing the costly struggle, Congress established the national banking system, which gave more uniformity to the currency and brought the financial centers of the country into closer relation. The anxiety to connect the Atlantic and Pacific coasts by rail led the Federal Government to adopt the practice of granting large subsidies to the builders of great transcontinental railway lines. The stimulation which the war gave to manufacturing and transportation in the North and the shrewd manipulation of the money market during the years of the national crisis made possible the accumulation and concentration of large quantities of capital funds under the control of a small number of persons.

It was inevitable that such radical changes would modify the course of industrial progress. Because of the importance of slavery as the underlying cause of the war, there has been a natural tendency to regard its abolition as the most striking and significant net result of the great conflict, but it is to be doubted whether the emanicipation of the negro had as great an effect on subsequent economic development as the other innovations, which were so obscured by the turmoil of the war that they received but little attention and were regarded as being of much less significance. The complete transformation in the tariff

policy of the nation permitted the growth of manufacturing to an extent that likely would have been impossible had the war not occurred; the construction of the transcontinental railroads had an immeasurable effect on the development of the great región west of the Missouri River; the concentration of capital provided the means by which industrial enterprises could be carried out on a gigantic scale; the establishment of a uniform currency and a better banking system accelerated the growth of industry and trade. It is in these changes that is found the explanation of much of the economic history of the United States since the Civil War.

The period from 1860 to 1900 was one of development and exploitation. The years prior to the Civil War had been marked by the advance of the political authority of the United States to the Pacific Ocean, and at the same time the nation had enjoyed an era of notable agricultural, industrial, and commercial prosperity, especially in the States east of the Mississippi River. However, the tremendous possibilities of the country were only beginning to be realized in 1860 and, remarkable as was the development before that year, it was completely eclipsed by the amazing progress made during the latter part of the century. An abundance of unoccupied land of rich and varied natural resources, favorable climatic conditions, a complete absence of checks on individual initiative and enterprise and of restrictions on internal communication and trade, and the encouragement afforded to industry by the liberal policies of the Federal Government all combined to create exceptional economic opportunities. Labor, capital, and transportation facilities alone were needed, and as these increased the wealth production of the United States multiplied with great rapidity. The extension of the railway system permitted the constant growth of agriculture and rendered accessible the mineral and forest products in which the land abounded; cheap and plentiful raw materials from field, mine, and forest made possible a rapid increase of manufacturing. European immigrants, eager to share in the wealth of the new world, poured in to recruit the labor force necessary for the industrial conquest; and the invention and application of labor-saving machinery of every description greatly increased the effectiveness of the effort of each individual. All parts of the country participated in the material progress. The South recovered from the state of prostration in which it was left by the ravages of the disastrous war, and became more prosperous and flourishing than ever; the Northern States east of the Mississippi increased their agricultural production and also became one of the greatest manufacturing and mining districts in the world; on the prairie lands west of the Mississippi a new cereal kingdom was founded; the western plains were converted into live-stock ranches; and the forests, orchards, and grain-fields of the Pacific States proved to be greater sources of wealth than were their mines of gold and silver.

A statistical account of the economic progress of the United States from 1860 to 1900 gives an idea of the rapid exploitation of the resources of the country during that period, and while the figures involved in such an account are of too great magnitude to convey an adequate impression as regards the actual volume of national wealth, they nevertheless afford a standard by which the growth of the country may be measured and furnish a basis for comparing different times and different sections. An understanding of the expansion of commerce from 1860 to 1900 would be impossible without a knowledge of the material progress that was made, and the story of the internal trade will be preceded by a sketch of the economic development during the last forty years of the century.

POPULATION AND WEALTH.

In the forty years following 1860 the number of people in the United States, exclusive of outlying possessions, rose from 31,000,000 to 76,000,000. Table 17 shows the total population of the continental portion of the country and the number of inhabitants per square mile at each census, with the percentage of increase for each decade from 1860 to 1900.[1]

TABLE 17.—*Number, density, and increase of population of the United States, decennial censuses, 1860–1900.*

Year.	Population.	Number of inhabitants per square mile.	Percentage of increase.
1860	31,443,221	10.8	35.6
1870	38,558,371	13.3	22.6
1880	50,155,783	17.3	30.1
1890	62,622,250	21.2	24.9
1900	76,303,387	25.6	20.7

The rate of increase of the number of inhabitants was considerably less than it had been during the period before the war, but the decennial increase in density of population was larger than it had been before. In the section of the country east of the Mississippi, where the rapid development of manufacturing, mining, and transportation created a large demand for wage laborers, the greatest actual increase of numbers occurred. Most of the 14,000,000 foreign immigrants who entered the country during the four decades settled in this section, and they and their descendants formed a large part of the added population. However, the rate of increase in the States east of the Mississippi was not nearly so large as the rate of increase in the States west of the river, and the actual increase of numbers in the western section was sufficiently great to cause the center of population to advance steadily

[1] U. S. Census 1900, *Population*, I, 2–6.

nearer the Mississippi. The agricultural region between the river and the western mountains began to fill up very rapidly after the war, and the population of the western-central group of States rose in forty years from 4,000,000 to 17,000,000. The movement to the Far West, which had begun during the fifties, went constantly forward, and the States along the Pacific coast and in the mountain section, with an increase of population from a little more than 500,000 to more than 4,000,000, showed a higher rate of growth than any other section of the country.

The wealth of the nation increased at a much more rapid rate than the population. Between 1860 and 1900, the total wealth of the country, as given in the census reports, grew from $16,159,616,000 to $88,517,306,775, a per capita increase in the forty years from $514 to $1,165.[1] These figures convey some idea of the growth of the productive capacity of the people and of the material progress of the country as a whole. It would be impossible to give a detailed account of the innumerable industries to which the energies and resources of the nation were devoted to create such a vast total; only some of the large basic ones may be considered.

AGRICULTURE.

The growth of agriculture, which had been one of the most conspicuous features of the development of the United States before 1860, proceeded on a still greater scale after the war. Within two decades the country assumed the leading place among the nations of the world in the production of grain and live-stock, maintaining at the same time its supremacy as a producer and exporter of cotton and tobacco. The chief reasons for the great increase in the farming industry were the existence of an enormous area of fertile land, the application of machinery to the cultivation of the soil, and the fact that foreign and domestic markets expanded to a degree sufficient to absorb the greatly augmented annual production.

West of the Mississippi River in 1860 lay wide areas of rich soil yet untouched by the plow. In 1862 the Homestead Act was passed, by the provisions of which farms were granted without charge to persons who would settle on the land and maintain a residence for at least five years. The opportunity to secure a comfortable home on such easy terms was eagerly seized by thousands of people. During the twenty years between 1860 and 1880 the Federal Government gave away 65,000,000 acres of land to various individuals; the "frontier" disappeared before the advance of the sturdy "homesteaders;" and much of the western prairie was transformed into grain fields. In the western section of the Northern Central States, where the greatest agri-

[1] *Statistical Abstract of United States, 1911*, p. 702.

cultural development took place, the population increased 4,000,000 in the twenty years following 1860. In the rest of the region west of the Mississippi the increase was but little less rapid, and by 1880 the wave of westward migration had swept across the continent. During the remainder of the century the West continued to fill up very rapidly. The less desirable grain-land was occupied, large tracts of arid soil were irrigated and added to the cultivated area of the country, and wide sections of the western plains were fenced off and converted into sheep and cattle ranches. In 1860 the total number of farms in the United States was 2,044,077, comprising 407,212,538 acres of land. By 1880 the number of farms doubled, with a total added area of 130,000,000 acres, and by 1900 there were 5,739,657 farms, with an acreage of 841,201,546,[1] while the value of farm property advanced during the forty years from $7,980,493,000 to $20,514,001,000.

This addition of 400,000,000 acres to the agricultural domain of the nation would have been impossible had it not been for the rapid growth in the use of agricultural machinery and the consequent transformation in the methods of farming. Not only did the improved methods of agriculture make possible the cultivation of a much larger quantity of land, but they added greatly to the productivity of each unit of land and labor, thereby cheapening the products of the farm for the consumer without curtailing the profits of the farmer.

Before the Civil War broke out, the application of machinery to agriculture had spread to a considerable extent. The withdrawal of a large part of the labor-supply to recruit the armies greatly stimulated the use of labor-saving devices while the war was in progress, and after the return of peace the practice was continued on a still more extensive scale. Improved cultivators, seeders, reapers, threshers, and other machines, and the substitution of horse-power and steam-power for manual labor multiplied the productive capacity of a single man more than twelve fold in the half century between 1830 and 1880. The value of farming implements in use increased from $246,000,000 in 1860 to $407,000,000 in 1880 and to $761,000,000 in 1900.[2]

Of no less significance was the improvement of the mechanical devices and the processes by which raw products of the farm were handled, transported, and converted into commodities ready for the consumer. The roller process of manufacturing flour made the spring wheat of the Northeast superior to winter wheat as a breadstuff. The devices for separating cotton seeds from the fiber were greatly improved. The methods of slaughtering live-stock and of packing and transporting meats were revolutionized. The marketing of the annual product of agriculture was made possible only by the use of unique devices by which the various commodities could be handled and transported in a safe, speedy, and economical manner.

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[1] U. S. Census 1900, *Agriculture*, I, xvii. [2] *Ibid.*, xxix.

The most striking feature of the new agricultural era was the rapid expansion of the exportation of farm products, especially of cereals. The development of the grain-raising industry subsequent to 1860 gave rise to an annual product far in excess of domestic needs, and it was fortunate for the farming interests and for the country as a whole that it was found possible to dispose of the large yearly surplus abroad. The exportation of grain in large quantities began during the Civil War, when the grain States lost temporarily one of their most important domestic markets. After the close of the war the internal grain trade quickly surpassed its former proportions; but, rapidly as the home market expanded, the increase of the volume of production was considerably greater, and of the entire amount of wheat raised in the country between 1870 and 1900, nearly a third was sent abroad for consumption.[1] The exportation of cotton, which had constituted the most important part of the foreign trade in agricultural products for several decades before 1860, was almost com-

TABLE 18.—*Cereal production in the United States, 1860, 1880, 1900.*

Census year.	Production.					
	All cereals.	Corn.	Wheat.	Oats.	Rye.	Barley.
	bushels.	*bushels.*	*bushels.*	*bushels.*	*bushels.*	*bushels.*
1860	1,242,000,000	839,000,000	173,000,000	173,000,000	21,000,000	16,000,000
1880	2,699,000,000	1,755,000,000	459,000,000	408,000,000	20,000,000	44,000,000
1900	4,435,000,000	2,666,000,000	659,000,000	943,000,000	26,000,000	120,000,000

pletely stopped while the war was in progress, but after 1865 it soon regained and surpassed its former volume. More than two-thirds of the cotton raised in the United States between 1865 and 1900 was exported.[2] For the last quarter of the nineteenth century the United States was the chief source of supply of food products for nations of western Europe, as well as the chief source of supply of raw materials for some of their most important industries. The increase in the volume of exports to Europe created and maintained a balance of trade by which abundance of new capital was obtained for use in the United States. Thus the growing foreign market not only made possible the rapid agricultural progress, but furnished the means of creating and expanding many other lines of industry.

Among the various products grown on the farms of the United States after 1860 the cereals held by far the most important place. The advance in cereal production is shown by table 18.[3]

The cereal crop of 1899 constituted nearly half of the total value of all the crops raised in the country and almost a third of the total value of all farm products of that year.

[1] *Statistical Abstract of United States, 1911*, p. 563. [2] *Ibid.*, p. 566.
[3] U. S. Census 1900, *Agriculture*, II, 64–89.

Corn was the leading grain, composing more than a half of the entire cereal production. As an article of commerce, corn remained somewhat less important than wheat, most of it coming to the market in the form of beef, pork, poultry, or dairy products. The center of corn production shifted rapidly westward during this period. In 1860 Missouri was the only State west of the Mississippi River that held a place among the five leading corn-producing States. In 1870 and in 1880 Iowa held second place, and in 1890 and 1900 four States west of the Mississippi—Iowa, Kansas, Nebraska, and Missouri—were among the five leading corn States. Every census from 1860 to 1900 except one showed Illinois as holding first place, the one exception being that of 1890, when Illinois lost precedence to Iowa. The shifting of the center of wheat production was no less marked. Illinois still maintained the lead in 1880, but after that year the wheat-belt around the lakes rapidly lost precedence to the great spring-wheat area of the northwest. In 1900 Ohio was the only State east of the Mississippi to rank among the five leading wheat States, the other four being Minnesota, North Dakota, South Dakota, and Kansas. The wheat crop of Minnesota alone in 1899 amounted to more than 95,000,000 bushels, a quantity almost equal to the wheat production of the entire United States a half century before.

The production of cotton in the United States was given in the various census years as follows:[1] 5,387,052 bales in 1860; 3,011,996 in 1870; 5,755,359 in 1880; 7,472,511 in 1890; 9,534,707 in 1900.

The Civil War left agriculture temporarily prostrated in the cotton States. Thousands of acres of land passed out of cultivation, the majority of the large planters were ruined financially, and the evils of the labor system during the "reconstruction" period made recovery slower than it otherwise should have been. By 1880, however, the South had regained its agricultural prosperity and the new era of small farms, free labor, and cultivation by tenants was inaugurated which brought about an even more rapid progress in the cotton-belt than had occurred during the days of slavery. The failure to perfect cotton-picking machinery prevented the development of cotton-culture at a rate equal to that of the development of grain-raising in the North, but the improvement of devices for planting, fertilizing, cultivating, and handling the crops, and the utilization of the seeds, stalks, and roots of the plant, which had formerly been discarded as waste, greatly stimulated the industry and added largely to the profits of the planters.

Hay and forage continued to hold an important place among agricultural products. The development of the dairy business, the increase in the number of draft animals used on farms, and the growth of the cattle-raising industry in the West made necessary the production of hay in large quantities, and while it was not as important an article of

[1]U. S. Census 1900, *Agriculture*, II, 425.

commerce as many other farm products, it took high rank as to total value. The crop increased from 19,000,000 tons in 1859 to 79,000,000 tons in 1899, ranking in value next to corn among the agricultural products of the latter year.[1]

The production of tobacco increased from 434,000,000 pounds in 1859 to 868,000,000 pounds in 1899, Kentucky leading in this article at every census year following that of 1860.[1] Cane sugar and rice were other important commodities of the South, the production of both nearly doubling in the four decades.

The live-stock in the United States increased in value from $1,089,000,000 in 1859 to $3,078,000,000 in 1899,[2] when it composed 15 per cent of the total value of the farm property of the nation. No country in the world made use of so many horses in farm work as the United States, and no country raised so many animals to be converted into food for human consumption. The greatest live-stock belt was developed in the Northern Central States, where the immense crops of corn were used to fatten hogs and cattle for the meat-packing industry. Great improvement was made in the breeds of all kinds of live-stock, the period of feeding was reduced, and the entire live-stock business was placed on a scientific basis. Improved methods of refrigeration made meat-packing possible in summer as well as in winter, and the introduction of the refrigerator car in 1869 made it possible within a few years to ship to the most distant markets the fresh meats prepared in the great packing centers of the Central States.

Among the most important products of the farm were butter, cheese, milk, poultry, and eggs. Table 19 shows the amounts of these commodities produced in 1860, 1880, and 1900:[3]

TABLE 19.—*Dairy and poultry products in the United States, 1860, 1880, 1900.*

Product.	1860	1880	1900
Butter, pounds	459,681,000	806,672,000	1,491,872,000
Cheese, pounds	103,664,000	243,158,000	248,345,000
Milk, gallons	....	[1]530,129,000	7,266,392,000
Chickens and other fowls, number	....	125,507,000	250,682,000
Eggs, dozens	....	456,911,000	1,293,819,000

[1]Amount sold.

The value of the butter, milk, and cheese produced in the United States in 1899 was $472,000,000,[4] a sum greater than the value of any single agricultural crop except corn and hay, and the value of the poultry and eggs, amounting to $281,000,000, was almost equal to the value of the cotton crop. In the case of these commodities, too,

[1]U. S. Census, 1900, *Agriculture*, II, 526.
[2]*Ibid.*, I, 700.
[3]*Statistical Abstract of United States, 1911*, pp. 150–156.
[4]U. S. Census 1900, *Agriculture*, I, cxxi.

improved methods of handling and transportation were adopted which widened the extent of the market accessible to the sections producing them in large quantities, and consequently added to their commercial importance.

MINING.

No less impressive than the progress of agriculture in the United States between 1860 and 1900 was the development of the mining industry, though unfortunately the exploitation of the mineral resources of the continent during the period was characterized by wastefulness and extravagance. Those minerals which form the basis of modern industry—coal, iron, and copper—no country in the world possesses in larger quantities than the United States; and in the production of precious metals, gold and silver, of the mineral fuels, petroleum and gas, and of other important commercial minerals such as lead, aluminum, phosphate of lime, zinc, stone, gypsum, sulphur, and clays, the country has a high rank. The total value of the output of the mines in the United States rose from $218,598,994 in 1870 to $1,107,031,392 in 1900, an increase of 400 per cent.[1] The increase in the production of the most important minerals is shown in table 20.[2]

TABLE 20.—*Quantities of important minerals produced in the United States, 1860, 1880, 1900.*

Product.	1860	1880	1900
Coal, long tons........	13,044,680	63,822,830	240,789,310
Copper, long tons......	7,200	27,000	270,588
Iron ore, long tons......	....	7,120,362	27,553,161
Petroleum, barrels......	500,000	26,286,123	63,620,529
Natural gas, dollars.....	....	[1]215,000	23,698,674
Zinc, short tons........	....	23,239	123,886
Aluminum, pounds.....	....	....	7,150,000

[1]Year 1882.

In the production of coal, iron, and copper the United States easily led all other nations of the world at the end of the century. In 1860 the quantity of anthracite coal mined exceeded that of bituminous, but before 1880 the production of the latter was considerably greater than that of the former, and by 1900 was nearly four times as large. Pennsylvania continued to be the only State in which anthracite was mined in large quantities, and it also maintained the lead in the production of bituminous, its output of 71,000,000 tons in 1900 being three times that of Illinois, its nearest competitor. Coal-fields were developed in practically every Northern State from Pennsylvania to Utah, and the deposits of Alabama, Tennessee, New Mexico, Arkansas, Kentucky, and Virginia contributed more than a tenth of the total

[1]*Statistical Abstract of United States, 1911*, p. 737. [2]*Ibid.*, p. 735.

output of soft coal in the United States in 1900.[1] The abundance of cheap fuel permitted a rapid utilization of the rich deposits of iron in Pennsylvania, Alabama, and the Lake Superior district. The copper deposits of the Lake Superior region, which contributed most of the output before the war, were worked on a much greater scale during the latter part of the century, and the mines of Montana and Arizona, opened after 1880, became an important factor in the production of this valuable metal. The petroleum field of Pennsylvania, tapped first in 1859, was the only one developed largely before 1880, but ten years later the output of Ohio was almost as large as that of Pennsylvania, and in 1900 the important fields in West Virginia, Indiana, and California were each contributing several million barrels of oil yearly. Crude oil and its products became important factors in domestic and foreign trade, as well as the basis of important manufacturing industries. The discovery of natural gas revealed a further source of fuel supply, and was followed by a conspicuous growth of manufacturing in the Northern Central States, the territory in which gas was first found in abundance.

The value of the gold production of the United States averaged nearly $40,000,000 a year from 1860 to 1900. The output of the silver mines never fell below an annual amount of $31,000,000 after 1872. Practically all of the output of both metals came from the Western States.

LUMBERING.

The forests of the country were subjected to the same rapid exploitation as the other natural resources and in a manner yet more extravagantly wasteful. Extensive building operations, the construction and maintenance of an enormous mileage of railway track, and the growth of manufacturing created a heavy demand for timber, and by 1900 the annual cut amounted to nearly 35,000,000,000 feet. The northeastern group of States, which had formed the chief source of the lumber-supply before 1860, lost precedence by 1880 to the Lake States of Michigan, Minnesota, and Wisconsin, and this section in turn was surpassed by the Southern States by 1900, the yellow pine of that section comprising more than a fourth of the production of the entire country. The timber-lands of the Pacific States contributed more than 2,000,000,000 feet each year after 1890.[2]

MANUFACTURING.

The most significant feature of the economic history of the United States between 1860 and 1900 was the rise of manufacturing. Previous to this period the country had been primarily agricultural. It has

[1] *Statistical Abstract of United States, 1911*, p. 216. *Ibid.*, p. 167.

already been recounted how the inability to dispose of surplus farm produce abroad had led in the early twenties to the adoption of a system of protective tariffs to encourage manufacture. When resulting expansion of manufacturing industries and the removal of foreign restrictions on the entry of American agricultural products had brought relief to the agricultural interests, the necessity of encouraging the growth of manufacturing at a faster rate than would have occurred under normal conditions had been obviated and the practice had been discontinued. The result had been a tendency in the United States to invest capital in all varieties of industry. Consequently economic development before 1860 had been in the main symmetrical. Agriculture had maintained the lead because physical conditions gave it a peculiar advantage; ship-building and shipping had grown steadily, reaching a point of maximum development just at the opening of the war; manufacturing, too, had increased largely, but the increase had not been due, after 1846 at least, to any conditions tending to give it an unnatural advantage in the competition for capital.

This situation the war abruptly changed. In the first place, the armies demanded large quantities of clothing, arms, wagons, and other military supplies and the manufacture of these articles was greatly stimulated. In the second place, one of the most important sources of profits of the northern shipping interest, the carrying trade between the Southern States and Europe, was suddenly cut off, and though the export trade of the North Atlantic ports expanded somewhat, the increase was not nearly enough to overcome the reduction in the total foreign trade occasioned by the loss of southern exports and the decrease in imports. The changes which occurred in New England after the enactment of the tariff of 1824 were repeated on a larger scale. Capital hitherto invested in foreign trade was invested elsewhere, many sailors entered the navy or engaged in other occupations, and the tonnage of the merchant marine of the United States engaged in foreign trade fell more than 1,000,000 tons, almost 45 per cent, between 1861 and 1866. And finally, the imposition of heavy tariffs while the war was in progress greatly enhanced the profits to be derived from manufacturing by insuring a domestic market free from foreign competition.

Had Congress, after the close of the war, reduced the tariff schedule to the level of 1860, it is probable that a flood of foreign imports, similar to that following the war of 1812, would have swamped many of the new manufacturing plants, and the subsequent economic history of the United States would have more nearly resembled that before the war. But the southern influence which had been able to compel the tariff compromises after 1830 was absent in 1865, and the northern sentiment against protection was unable to muster sufficient strength to counteract the powerful influence brought to bear upon Congress

to make the war tariffs a permanent part of the national program. The result was inevitable. Manufacturing almost immediately became the dominant industry, because it promised the largest returns on investments. The value of the manufactured products of the United States increased 124 per cent between 1859 and 1869, exceeding the value of the total products of agriculture for the latter year by $2,250,000,000. The decline of the merchant marine engaged in foreign trade has continued unchecked to the present day, and though agriculture, for reasons given before, has continued to expand wonderfully, its growth was far less rapid than that of manufacturing.

The rapid rise of manufacturing between 1860 and 1900 is shown in table 21.[1]

TABLE 21.—*Growth of manufacturing in the United States. Decennial censuses, 1860 to 1900.*

Census year.	Capital invested.	Wage-earners employed.	Value of products.
1860	$1,009,855,715	1,311,246	$1,885,861,676
1870	2,118,208,769	2,053,996	4,232,325,442
1880	2,790,272,606	2,732,595	5,369,579,191
1890	6,525,156,486	4,251,613	9,372,437,283
1900	9,817,434,799	5,308,406	13,004,400,143

Of course, the radical change in the tariff policy was not alone responsible for the great industrial expansion. The growth of manufacturing in the United States would have been impossible without a corresponding growth of the domestic market for manufactured commodities, and the mere fact that foreign competition was largely excluded was not the cause of the expansion of the domestic market. Indeed, the elimination of competition permitted such high prices that without the influence of other important factors in the industrial evolution of the country the effect of the policy of seclusion might have been to arrest rather than to hasten development. The enormous increase of agriculture throughout the entire country, and particularly in the West and South, was the chief factor in the creation of a large home market for manufactured goods of every description. Furthermore, great natural resources offered an apparently unlimited supply of raw materials and cheap fuel. The self-sufficiency of the nation enabled it to carry out a program of industrial independence that could have been attempted in but few other countries. Furthermore, in manufacturing as in agriculture, acting as both cause and effect, there was a steady evolution in methods of production. Growing dependence on steam and electricity as sources of motive power, discoveries of new processes, invention of mechanical devices of every description and improved means of transportation and communication were all potent factors in this epoch of progress.

[1] U. S. Census 1900, *Manufactures*, I, xlvii, 3.

The increase of the value of manufactures produced in various sections of the country was as shown in table 22.[1]

TABLE 22.—*Value of manufactured products in the United States, 1860, 1880, 1900.*

	1860	1880	1900
New England States......	$468,599,287	$1,106,158,303	$1,875,792,081
Middle States............	802,338,392	2,219,072,594	4,957,874,935
Southern States..........	193,462,521	338,791,898	1,184,398,684
Central States...........	341,710,554	1,502,637,308	4,000,817,987
Western States...........	7,114,012	72,518,749	555,482,428
Pacific States............	72,636,910	130,400,399	435,670,399

The States along the Atlantic coast maintained the lead in manufacturing, but the increase in the Central States was larger than in the East, and since 1880 there has been a distinct period of progress in manufacturing in the South. The census of 1900 showed that in 27 States the value of manufactured products was more than $100,000,000, and in 4 States—New York, Pennsylvania, Illinois, and Massachusetts—the value was more than $1,000,000,000.[2] Fifteen cities were reported in 1900 as having each produced more than $100,000,000 of manufactures, New York leading with a product valued at $1,371,000,000, and Chicago and Philadelphia ranking second and third respectively.[3]

All the manufacturing industries of the country were grouped in the census report of 1900 under 15 headings, ranking in order of the value of their products as follows: food and kindred products, iron and steel and their products, textiles, hand trades, lumber and its manufactures, miscellaneous industries, metals and metal products other than iron and steel, paper and printing, leather and its finished products, chemicals and allied products, vehicles for land transportation, liquors and beverages, clay, glass and stone products, tobacco, ship-building.[4] The first four of these groups each showed an output of more than $1,000,000,000, that of food and kindred products alone being $2,777,702,000. Of the single industries comprising these groups there were 33 having an output in 1899 of more than $100,000,000 and 22 more with an output of more than $50,000,000. Iron and steel products took the leading place with a total value of $804,000,000, and next in order were slaughtering and meat-packing, foundry and machine-shop work, lumber and timber products, and flouring and grist-mill products, each valued at more than $500,000,000.[5]

TRANSPORTATION.

Simultaneously with the expansion of agriculture, the exploitation of forest and mineral resources and the rise of manufacturing in the United States, partly as an effect of them but almost equally a cause, came the development of the great transportation system of the country.

[1]U. S. Census 1900, *Manufactures*, I, clxxiii. [2]*Ibid.*, clxxxii. [3]*Ibid.*, ccxxxv. [4]*Ibid.*, cxlv. [5]*Ibid.*, clxiii.

The period of 1860 to 1900 was the era of the railroad. Before the Civil War, the superiority of the steam railway over rivers and canals had been demonstrated. The decade from 1850 to 1860 had witnessed the completion of a comprehensive railroad system in the Northern States east of the Mississippi River. Many lines had been planned in the South, but construction had not been especially active, except in those States along the Atlantic coast. Only six States west of the Mississippi possessed any railway lines in 1860, and two of these, California and Arkansas, had less than 50 miles. Not a single foot of track had been laid between the Missouri River and the Rocky Mountains. However, railway building was constantly becoming more active, and plans were afoot to make large additions to the existing mileage when the Civil War broke out and suddenly checked most of the railroad building that was in progress.

Almost immediately after the war ended there began a period of rapid and extensive construction. The entire country was seized with a mania for railroad speculation. Over 35,000 miles of track were laid between 1865 and 1874, an increase of almost exactly 100 per cent in the total mileage of the country. It was during this time that the first transcontinental railroad, begun in 1864 and built largely by means of the liberal aid given by the Federal Government, was completed (1869). Unfortunately, the enormous increase in the railway mileage during these years was considerably in excess of the needs of the country, and the speculative fever which attended the expansion resulted in the severe financial crisis of 1873.

Following 1873 there was a period of business depression lasting for five years, during which there was little railway building. This was followed by a second and much greater revival. Between 1878 and 1890 over 85,000 miles of new line were added to the railway system, the total number of miles in the latter year reaching 167,191.[1] Four more transcontinental lines were completed and others partly built; the region between the Mississippi and Missouri Rivers and the plains of the Southwest were supplied with railroads, many new lines were added in the Southern States, and the trackage was greatly increased in New England and in the trunk-line territory. Many of the western roads were constructed in advance of the settlement of the country, the builders relying on subsequent development of the land for the creation of traffic for their lines.

By 1890 railroad construction had reached a point where there was no longer a need for such a rapid extension as had occurred during the previous ten years, and the annual increase of mileage began to decline. This decline was accentuated because of the severe financial depression following the panic of 1893. Not only was further construction almost halted, but existing roads suffered losses because of decreased traffic

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[1] *Statistical Abstract of United States, 1911,* p. 745.

and many of those built during the prosperous years of the preceding decade were forced into bankruptcy. The return of prosperity in 1898, however, saw a slight rise in the rate of annual increase of mileage. In 1900 there were 198,964 miles reported in the entire country.[1]

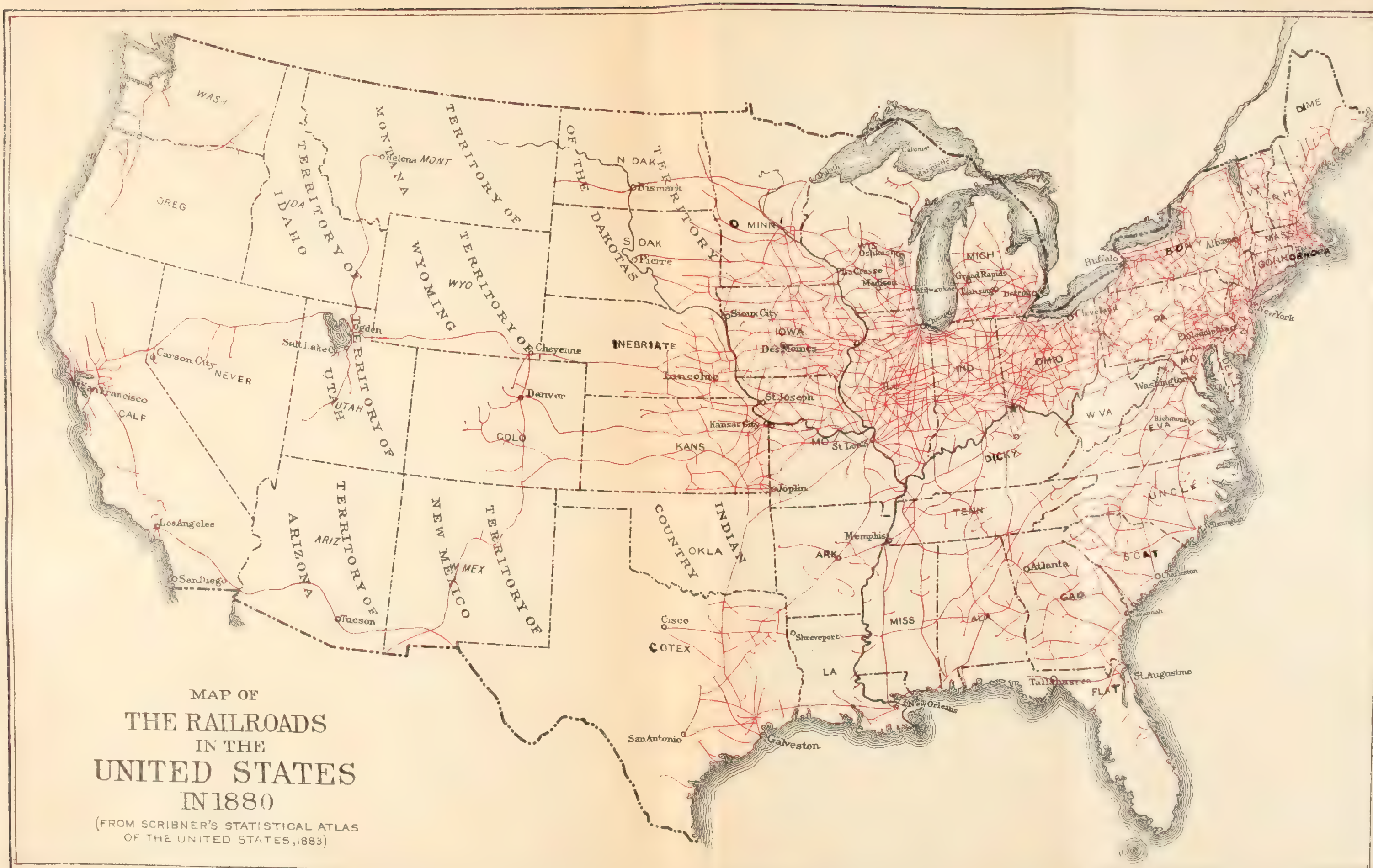
The increase in mileage was attended by a constant improvement in the physical elements of the railway. The roadbeds were made more substantial, rails of wood and iron gave way to all-iron rails, and these in turn were succeeded by the rails of steel, the quality and weight of which were steadily increased; the high-speed passenger locomotive, the heavy freight engine, the improved passenger coaches, the large freight cars used for ordinary traffic, the many types of freight cars designed for special kinds of traffic, and the numerous mechanical devices for promoting safety, comfort, and economy were all evolutionary products of this period. The complex freight terminal, the yards, buildings, and mechanical equipment which are of such importance in freight transportation, developed during these years, and the modern passenger terminal came into existence in response to the needs created by the rapid expansion of great urban centers.

The important results of the steady growth of railways and the improvement of their equipment were an improved service and reduced charges. At the close of the period before the war it had been demonstrated that railroads could carry economically high-grade freight such as flour, live-stock, lighter manufactured goods, and general merchandise, but as yet they had not been able to compete successfully with waterways in the transportation of grain, and the carriage for long distance of low-grade freight such as coal and ore had not been attempted. As the railway developed, however, its use was extended, and it was found in a few years that there was no commodity so cheap that it could not be profitably handled. Accompanying this extension of the service to include all kinds of bulky freight was an uninterrupted decline in the general level of transportation rates on all classes of goods, resulting from the increased efficiency of the roads, the struggles of competing lines, and above all from the tremendous increase of traffic. The receipts per ton per mile on the entire amount of freight carried decreased by more than one-half between 1867 and 1897,[2] the average charge falling from 1.92 cents to about 0.80 cent. Moreover, the charges were not in exact proportion to distance carried, the rate per mile usually being lower for longer hauls. This reduction of transportation charges was one of the most potent factors determining the course of economic growth. Field, mine, forest, factory, and store were linked together into a unified whole; raw materials could be concentrated at any point; and there was practically no limit to the extent of the market for finished commodities.

[1] *Statistical Abstract of United States, 1911*, p. 745.

[2] For a statement of the costs of transportation in this period consult the documents attached to Gallatin, "Report on International Improvements," in *American State Papers, Miscellaneous*, I, especially the letter of Robert Fulton, p. 917.

MAP 4



MAP OF
THE RAILROADS
IN THE
UNITED STATES
IN 1880
(FROM SCRIBNER'S STATISTICAL ATLAS
OF THE UNITED STATES, 1883)

As the railway system developed and railroad rates declined, transportation on most of the inland waterways of the country, which had been so important in earlier times, diminished. Though for almost a score of years after the war the traffic on the most important rivers and canals became somewhat larger, in no case did the increase compare favorably with the growth of railroad traffic or keep pace with the commercial progress of the country as a whole.[1] After 1880 there was a gradual absolute decrease of nearly all canal and river traffic. Nearly 1,700 miles of canals were abandoned between the years 1860 and 1900.[2] In New York the railroads reduced the proportion which canal freight bore to the entire freight tonnage carried across the State over canals from 44 per cent in 1868 to 5 per cent in 1898.[3] In the value of tonnage transported the reduction was even greater, the canal traffic gradually becoming limited to heavy bulky commodities.

Transportation upon the Mississippi River system suffered a similar decline. Though after the war there was a brief period of prosperity, during which many large steamboats were built and profitably operated, yet there was a large relative loss to the railroads. DeBow's prophecy that the railways would handle traffic on the very banks of the river was literally fulfilled, and though the Federal Government spent many millions of dollars to improve the Mississippi, it failed to check the decay of the river commerce. The entire freight carried on all the rivers of the Mississippi Valley in 1889 amounted to 29,405,000 tons,[4] and the traffic ten years later was probably less. Considerably more than half of this tonnage was carried on the Ohio River and its tributaries, the coal traffic out of Pittsburgh being almost the only freight that the river was able to compete for successfully with the railroads.[5]

Though the commerce on the canals and rivers sunk in importance, that on the Great Lakes thrived and expanded under the unusually favorable conditions prevailing for the development of traffic on those bodies of water. The iron and copper mines, forests, and grain-fields around Lake Superior furnished an enormous tonnage for water transportation to the manufacturing districts around lower Lake Michigan and Lake Erie, and a considerable quantity of coal and merchandise was carried westward to the interior. The sail and steam tonnage on the lakes rose from 390,000 in 1870 to 1,441,000 in 1900,[6] and the cargo tonnage for the latter year was more than 45,000,000. The rate of growth of lake traffic compared favorably at all times with that of the traffic on railways.

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[1] *Preliminary Report of Inland Waterways Commission*, 227; *Report on Internal Commerce of United States, 1876*, pp. 101–119.

[2] *Preliminary Report of Inland Waterways Commission*, 204–209. [3] *Ibid.*, 217.

[4] U. S. Census 1890, *Transportation by Water*, 435. In 1906 the traffic had fallen to 27,856,000 tons. (See *Preliminary Report of Inland Waterways Commission*, 133, and U. S. Census 1906, *Transportation by Water*, p. 33.)

[5] *Preliminary Report of Inland Waterways Commission*, 118.

[6] U. S. Census 1906, *Transportation by Water*, 122.

CHAPTER XVI.

INTERNAL TRADE, 1860 TO 1900.

Commerce has been well defined as taking things from where they are plentiful to where they are needed. This being true, the volume of internal commerce of any country must invariably depend upon the number of its population, the total volume of its production, the sectional diversity of its products, the efficiency and cheapness of its transportation, and the freedom from foreign competition in the sale of native commodities in home markets. In the economic progress of the United States from 1860 to 1900 there was a continuous and rapid development of all the requisite factors for the existence of a large internal trade. Population more than doubled, annual production per capita quadrupled, the sectional diversity of products became more pronounced, and the transportation system developed to a degree that afforded the utmost fluidity of movement to all articles of trade. Furthermore, the range of movement of internal trade was greatly widened by the settlement of the vast expanse of new country west of the Mississippi River.

This extension of the area over which trade flowed and the development of the railroad as the chief agency for transportation gave to the internal commerce of this period a character widely different from that of the commerce of previous years. Before 1860 the extent of the populated area of the United States and the facilities for transportation were such that the bulk of internal trade followed two distinct routes: an east-and-west route over the Erie Canal or the trunk-line railroads, and a north-and-south route over the waters of the Mississippi River. Consequently internal-trade movements were comparatively simple, and it was practicable to study them geographically. The westward movement of the population and the development of the great railway net completely put an end to the simplicity which characterized the trade of the period before 1860. The old lines of trade were modified or swept away. In the course of time direction and distance ceased to exercise a profound influence on commercial intercourse. The railroad permitted a north-bound movement of traffic in the Mississippi Valley which in time reached the volume of the south-bound movement; eastern cities made overland shipments of manufactures and merchandise to San Francisco and secured from that city the fruit and lumber

of California and the teas and spices of the Orient. Every section could exchange its products directly for the products of any other section. Rival producers separated by long distances invaded the local territory of one another.

The wide extent of the internal trade and the complexity of its movements during this period render it impracticable to deal with it in the manner adopted in previous chapters, and therefore the subject will be approached in a different manner. First, separate studies will be made of the trade in several of the great commodities which constitute most of the materials of commerce; following this will be a brief discussion of the total volume of internal trade; and finally a short conclusion dealing with the most vital economic and political problems connected with commercial development during the forty years.

CEREALS AND FLOUR.

The history of the grain trade from 1860 to 1900 centers around the receipts and shipments at the great primary grain markets situated on the Great Lakes and the rivers of the upper Mississippi Valley. Already by 1860 the region around the lakes had assumed the lead in the production of cereals and several cities of the Northern Central States, chief among which were Chicago, St. Louis, Cincinnati, Milwaukee, and Toledo, had become large primary markets where great quantities of grain and flour were concentrated to be shipped to domestic markets in the South and East for home consumption and to the seaboard for exportation to foreign nations. As cereal production increased and the center of production moved westward, other markets further to the north and west assumed a position of importance in the handling of the great volume of surplus grain.

In 1900 the chief surplus cereal area of the United States comprised a vast stretch of territory included in a semicircle described by a southern and western sweep of a compass moving on a radius extending from Duluth to Buffalo.[1] Of the 4,500,000,000 bushels of grain produced in the United States in 1899, three-fourths were raised in the twelve States embraced in this territory. The ten most important primary grain-markets in the region, each of which was receiving annually from 10,000,000 to 300,000,000 bushels of grain, were Chicago, Minneapolis, Duluth-Superior, St. Louis, Milwaukee, Toledo, Kansas City, Peoria, Cincinnati, and Detroit. From each of these points there radiated toward the north, south, and west a network of railways over which grain came from the farming districts and over some of which there was a return movement of flour and grain for domestic consumption or for exportation from southern seaports, while stretching to the eastward were numerous rail and water lines by which a large

[1] *Report of Industrial Commission, 1900,* VI, 37.

cereal and flour traffic was carried to the manufacturing districts and exporting cities of the Atlantic States. Table 23 shows the receipts and shipments of grain at Chicago during census years from 1860.[1]

TABLE 23.—*Receipts and shipments of grain a Chicago, 1860-1900.*

Year.	Flour.		Wheat.		Corn.	
	Receipts.	Shipments.	Receipts.	Shipments.	Receipts.	Shipments.
	barrels.	*barrels.*	*bushels.*	*bushels.*	*bushels.*	*bushels.*
1860	713,348	698,132	14,927,083	12,402,197	15,862,394	13,700,113
1870	1,766,037	1,705,977	16,394,409	16,432,585	20,189,775	17,777,377
1880	3,215,389	2,862,737	23,541,607	22,796,288	97,272,841	93,572,934
1890	4,358,058	4,131,586	14,248,770	11,975,276	91,387,754	90,574,379
1900	9,313,591	7,396,697	48,048,298	36,649,956	134,663,456	111,099,653

Year.	Oats.		Total grain, flour reduced to wheat.	
	Receipts.	Shipments.	Receipts.	Shipments.
	bushels.	*bushels.*	*bushels.*	*bushels.*
1860	2,198,889	1,091,698	37,235,027	31,108,759
1870	10,472,078	8,507,735	60,432,574	54,745,903
1880	23,499,915	20,649,427	165,855,370	154,377,115
1890	75,150,249	70,768,222	219,052,518	204,674,918
1900	105,226,761	77,554,695	349,637,295	265,552,246

Table 23 is given as an illustration of the growth of the internal cereal trade. Though the receipts and shipments at the markets east of Chicago did not increase at such a rapid rate, there was nevertheless a steady increase at all of them until the close of the century,[2] and at the markets farther west the rate of growth was even greater than that at Chicago. The volume attained by the grain trade by 1900 is indicated by table 24, showing the receipts and shipments for that year at the principal primary markets.[2]

The development of the grain trade during this period was marked by the same commercial rivalry among cities and the same competition among transportation routes that characterized the trade of the two decades preceding the Civil War. Before 1860 the contest between the southern and eastern routes to the seaboard had resulted in a victory for the latter. The grain received at New Orleans, little of which came from points farther north than St. Louis, had fallen to a volume little more than sufficient to satisfy the demands of the surrounding cotton plantations, and both the coasting and export trade of the southern port had been considerably reduced.[3] The outbreak of the war put a temporary stop to all shipping of grain to the Southern States either for consumption or exportation. The destruction of this

[1]*Report of Board of Trade of Chicago, 1901*, p. 20.
[2]*Monthly Summary of Commerce and Finance, Dec. 1910*, pp. 1000–1008.
[3]*Report on Internal Commerce, 1887*, pp. 286, 382.

important branch of the trade was immediately reflected in a sudden expansion of shipments to the East over the Erie Canal and trunk-line railroads, and a rapid rise in the exports of grain to Europe.[1] The return of peace saw an immediate resumption of the grain and flour trade with the cotton States, and throughout the remainder of the century this trade continued to flourish. The Gulf ports also made attempts to share in the export grain trade. The fact that the corn-belt extended farther to the south than the wheat-raising district enabled the southern ports to secure a considerable portion of the

TABLE 24.—*Receipts and shipments of grain at primary markets, 1900.*

City.	Wheat.	Corn.	Oats.	Barley.	Rye.	Flour.	Total grain and flour.
RECEIPTS.							
	bushels.	*bushels.*	*bushels.*	*bushels.*	*bushels.*	*bushels.*	*bushels.*
Chicago	48,048,298	134,663,456	105,226,761	17,813,919	1,973,701	9,313,591	349,637,295
Minneapolis	83,312,320	6,502,410	10,837,160	4,551,970	509,730	223,102	106,717,549
St. Louis	20,860,805	20,834,060	15,728,130	1,939,993	686,810	2,170,548	69,817,264
Duluth	31,815,000	4,186,000	1,402,000	2,692,000	625,000	4,519,540	61,057,930
Milwaukee	10,848,939	5,779,850	8,506,100	16,250,831	1,165,150	3,012,625	56,107,682
Toledo	9,228,000	24,829,000	6,973,000	453,000	358,000	1,195,000	47,218,500
Kansas City	34,775,450	8,334,250	3,341,600	16,000	170,950	....	46,638,250
Cincinnati	2,961,211	14,005,973	7,392,957	1,173,742	442,215	2,561,977	38,104,995
Peoria	674,000	18,595,300	11,263,000	1,899,700	156,000	837,170	36,355,265
Detroit	2,611,909	3,378,934	3,217,836	1,469,622	325,416	285,500	12,288,467
SHIPMENTS.							
Chicago	36,649,956	111,099,653	77,554,695	5,739,009	1,223,796	7,396,697	265,552,245
Minneapolis	10,937,010	1,303,610	3,932,210	3,830,980	506,280	14,954,806	87,806,717
St. Louis	12,473,366	22,682,765	7,588,703	121,460	431,778	2,535,206	54,706,499
Duluth	30,859,000	3,548,000	851,000	2,685,000	611,000	4,860,250	60,425,125
Milwaukee	2,166,431	4,958,140	7,962,205	8,348,776	793,398	3,788,658	41,277,911
Toledo	5,150,000	23,103,000	6,600,000	452,000	353,000	2,022,000	44,757,000
Kansas City	28,499,450	5,588,250	1,576,000	8,800	138,950	....	35,811,450
Cincinnati	2,270,728	10,902,716	4,315,478	222,168	162,653	2,161,744	27,601,591
Peoria	304,950	5,371,990	10,948,100	1,363,481	39,900	841,130	21,813,506
Detroit	846,874	1,956,564	428,097	51,420	195,667	226,900	4,499,672

exports of corn, but in the competition for wheat and flour they were almost uniformly unsuccessful, until during the last five years of the period, when some of the powerful railroads to the South entered into a vigorous rate war with the eastern lines, which resulted in a quick diversion of a large part of the grain traffic. From 1878 to 1897, with the exception of two years, in which there were unusually large crops (1892 and 1893), the Gulf ports never secured as much as 10 per cent of the annual wheat exports of the country, and usually their share was less than 5 per cent. Their portion of the total exports of flour during these

[1]*Monthly Summary of Commerce and Finance, Jan. 1900,* pp. 1964, 1969, 2015; *Year Book of U. S. Department of Agriculture, 1911,* p 682.

years never reached 2 per cent; but the rate war begun in 1896 quickly effected a marked change, and three years later 29 per cent of the wheat and 3.9 per cent of the flour exports left via the harbors of the Gulf.[1]

Among the eastern cities which so long held the supremacy in the foreign grain trade there was even a keener competition than existed between them collectively and the seaports of the Gulf. Before the trunk-line railroads had been constructed, the Erie Canal had given New York the unquestioned lead as a distributing and exporting point of western products, but when the railroads had begun to compete actively for the transportation of eastbound grain and flour, New York had been obliged to surrender to other Atlantic ports a share of the trade. In 1860 the railroads were carrying two-thirds of the flour traffic, but as yet were transporting but a small quantity of grain to the eastern seaboard. The struggle for the carriage of grain was seriously begun while the war was in progress, and by 1867 the rail routes had captured 38 per cent of this traffic and the elimination of the canal as an important factor in the transportation of grain was clearly indicated. A succession of fierce rate wars after 1870 resulted in the downfall of the canal traffic and also brought about a compromise among the various trunk lines, whereby the competing cities on the Atlantic coast were placed on a more nearly equal footing. The effect was seen in the gradual decrease of the percentage of grain exports from New York and a rise in the exports from the seaports farther south,[2] and at the same time the heavy shipments of grain and flour intended for domestic use in the East took direct routes to the various centers of consumption.

An important feature of the cereal trade was the growth of the grain traffic on the Great Lakes, especially the growth of the traffic in wheat and flour. Until early in the eighties Chicago maintained the lead as a wheat and flour market and the railroads were able to divert a large part of the trade from Lake Michigan, but when after 1880 the center of wheat production shifted toward the northwest, Chicago lost precedence in the wheat trade to both Minneapolis and Duluth, and a great quantity of wheat and flour began to move eastward by water from ports on Lake Superior. The growth of the traffic passing through St. Mary's Falls Canal (table 25) shows the rapidity of the increase of the Lake Superior shipments.[3] During the late nineties there was also a heavy increase of the shipments of coarse grains by this route, the amount rising from 8,000,000 bushels in 1895 to 30,000,000 bushels in 1899. The lake grain-trade from the ports of Lake Michigan began to recover its lost ground after 1880, when the sharp competition with the railroads was abated, and at the close of the century the lake shipments of wheat and corn from Chicago were much larger than

[1] *Monthly Summary of Commerce and Finance, Jan. 1900*, p. 1984. [2] *Ibid.*, 1986. [3] *Ibid.*, 1990.

the shipments by rail. The railroads, however, maintained the lead in the transportation of flour and oats.[1]

A marked effect of the rate-making practices of the railroads during this period was the tendency of the milling industry to become concentrated near the wheat-fields. Freight rates on equal quantities of flour and wheat were kept almost equal, and it was more profitable to transport the finished product than the raw material. A comparison of the relative volume of the receipts of flour and wheat at Buffalo shows the growth of the milling industry in the West. From 1877 to 1888, of the total receipts of wheat at Buffalo, only 22 per cent consisted of flour, but during the next decade 42 per cent of the receipts were in that form. Minneapolis became the greatest milling center in the world, its output of flour rising to more than 15,000,000 barrels annually by the end of the century.[2] Duluth and Superior together were manufacturing over 3,000,000 barrels, and St. Louis, Milwaukee, Chicago, and Toledo were each producing more than 1,000,000 barrels a year.

TABLE 25.—*Flour and wheat traffic of the St. Mary's Falls Canal, 1860-1899.*

Year.	Flour.	Wheat.
	barrels.	*bushels.*
1860	50,250	....
1870	33,548	49,700
1880	523,860	2,105,920
1890	3,239,104	16,217,370
1899	7,114,147	58,397,335

Another important surplus cereal belt was developed in the three Pacific States. From the time of its settlement the State of California became an important wheat-producing State, and in Washington and Oregon also this cereal became the staple agricultural product. The product of those three States provided most of the flour for domestic consumption in the western section of the country and also gave a large surplus for exportation. Between 1880 and 1900 about one-fourth of the exports of wheat and one-seventh of the exports of flour of the United States went from the Pacific ports.[3]

The most important center of rice production shifted after 1880 from South Carolina to Louisiana. In 1860 the former State produced two-thirds of the total amount raised in the United States, but the industry languished after the war. Until extensive cultivation was begun in Louisiana the total product of the country remained small, but by 1900 it had risen to 250,000,000 pounds in the continental

[1] *Monthly Summary of Commerce and Finance, Jan. 1900*, pp. 1964, 1965.
[2] *Ibid.*, 2014. [3] *Ibid.*, 1984.

portion of the United States. Two-thirds of this was raised in Louisiana and about one-fifth in South Carolina. New Orleans was the most important domestic market.

LIVE-STOCK AND ANIMAL PRODUCTS.

The extension of the railroads to the grazing-lands of the West and the rapid increase of corn production in the Mississippi Valley after 1860 gave a great impetus to live-stock raising. Like the trade in grain, the trade in live-stock centered in cities so located as to be within easy reach of the producing sections and the regions of consumption. To these primary markets the railroads carried thousands of carloads of stock. The horses and mules were distributed among the farms and cities of the East and South; while the cattle, hogs, and sheep were sent to the large primary markets either to be slaughtered there, or to be distributed thence among the farms of the Central States to be fattened for killing or to be shipped to the slaughter-houses in the eastern cities.

TABLE 26.—*Receipts and shipments of live-stock at St. Louis, 1870, 1880, 1890, 1900.*

Year.	Receipts.				Shipments.			
	Cattle.	Sheep.	Hogs.	Horses and mules.	Cattle.	Sheep.	Hogs.	Horses and mules.
1870	201,422	94,477	310,850	....	129,748	11,649	17,156	....
1880	424,720	205,969	1,840,684	46,011	228,879	93,522	770,769	44,416
1890	639,014	358,496	1,359,789	82,071	361,705	251,728	665,471	79,030
1900	795,800	434,133	2,156,792	169,082	207,998	65,199	513,561	147,463

Until 1863 Cincinnati was the chief meat-packing city of the country, but in that year Chicago took the lead, and as the live-stock industry moved westward, St. Louis, Kansas City, Milwaukee, Indianapolis, Omaha, and St. Joseph in turn surpassed Cincinnati in this business. The trade in meat was revolutionized in the early seventies by the perfection of chilling and refrigerating processes that made possible the shipment of fresh meats for long distances. Previous to this time the meat trade, with the exception of local business, was confined to salted and pickled meats, and eastern cities secured their supplies of fresh meat only by importation of live animals. The introduction of the refrigerator car caused a rapid growth of the trade in dressed beef and mutton at the packing centers in the Central States, and a coincident relative decline in the east-bound shipments of live-stock, a condition that was further accentuated by the fact that the railroads imposed relatively higher rates on live-stock than on meat products shipped to the Atlantic coast.

The statistics of the live-stock movements at St. Louis for a number of years, shown in table 26, typifies the great development of the trade.[1]

The volume attained by the live-stock trade is indicated in table 27, which shows the receipts and shipments at the principal primary markets in 1900.[2]

TABLE 27.—*Receipts and shipments of live-stock at principal primary markets, 1900.*

RECEIPTS.

City.	Cattle.	Calves.	Hogs.	Sheep.	Horses and mules.	Total.
Chicago	2,729,046	136,310	8,109,064	3,548,885	99,010	14,622,315
Kansas City	1,969,718	113,077	3,094,139	860,449	103,308	6,140,691
Omaha	828,204	....	2,200,926	1,276,775	59,645	4,365,550
St. Louis	795,800	....	2,156,972	434,133	169,082	3,555,987
St. Joseph	379,967	10,414	1,678,520	390,308	13,497	2,472,706
St. Paul	176,172	44,509	500,415	489,574	26,778	1,237,448
SHIPMENTS (BY RAIL).						
Chicago	934,649	14,006	1,452,183	487,254	91,703	2,979,795
Kansas City	853,303	64,197	223,963	216,272	87,787	1,445,522
Omaha	274,479	....	36,996	552,234	54,845	918,554
St. Louis	207,998	....	513,561	65,199	147,463	934,221
St. Joseph	85,847	6,154	83,044	103,440	12,181	290,666
St. Paul	134,645	19,698	45,158	403,924	24,723	628,148

The difference between the receipts and shipments at these markets indicates the extent of their slaughtering and meat-packing industries. The total value of the products of wholesale slaughtering and meat-packing in the United States in 1900 amounted to $700,000,000, of which more than half was produced in three cities—Chicago, Kansas City, and South Omaha. The hogs packed in all western cities in 1900 numbered 22,201,000. In Chicago alone, 1,814,921 cattle and 7,364,859 hogs were packed.[3] The chief market for the numerous products of the large packing establishments was in the manufacturing districts of the East. The eastward rail shipments of provisions from Chicago in 1900 averaged about 20,000 tons a week.[4]

The same forces that stimulated the stock-raising and meat-packing industries—the necessity of providing food for a large non-agricultural population and the desire of the farming interests to convert their grain into a form that would be marketed most profitably—led to an extensive development of the dairy business and a large trade in milk, butter, and cheese.

In all the States having a large urban population many dairy farms were established to supply the immense quantities of fresh milk con-

[1] *Monthly Summary of Commerce and Finance, Feb. 1900,* p. 2300; *Ibid.*, Dec. 1910, p. 994.
[2] *Ibid.*, Dec. 1910, p. 994. [3] *Report of Board of Trade of Chicago, 1901,* p. 44.
[4] *Monthly Summary of Commerce and Finance, March 1901,* p. 2089.

sumed each day in the cities. In the Northern States in particular, where the growth of manufacturing caused a greater density of population, there was a rapid growth of the milk trade.

In the corn-belt the business of making butter and cheese for local and eastern trade made a great advance. Over 800,000,000 pounds of butter and more than 133,000,000 pounds of cheese were made in the Northern Central States in 1899, the leading States being Iowa and Wisconsin.[1] The receipts and shipments of butter at Chicago, the most important interior market, grew as shown in table 28.[2]

TABLE 28.—*Receipts and shipments of butter at Chicago, 1870, 1880, 1890, 1900.*

Year.	Receipts.	Shipments.
	lbs.	*lbs.*
1870	11,682,348	11,049,367
1880	67,337,044	59,970,601
1890	140,548,850	156,688,837
1900	244,385,190	208,536,699

The trade in poultry and eggs also took on large proportions during this period. The introduction of commercially valuable incubators and the use of cold storage were important factors in the development of poultry and egg production. The trade in these products was heaviest in the cities of the corn-belt, from which more than half of the total output came. In 1900 Chicago received nearly 75,000,000 dozens of eggs,[3] half of which were shipped to eastern cities.

The output of wool in the United States in 1899 was 277,000,000 pounds,[4] about five times the quantity produced in 1860. The sheep-raising industry shifted largely to the Rocky Mountain States after 1880, over half of the wool clip of 1899 coming from that section.[5] The ultimate market of practically the entire product of wool lay in New England, Pennsylvania, and New York, where the woolen mills remained concentrated. The wide separation between the chief producing and consuming centers necessitated a transcontinental movement and gave the wool trade a position of some importance in internal commerce. The entire output was never sufficient to satisfy the home demand and large quantities were annually imported to supplement the domestic supply.

COTTON.

Of the economic disturbances occasioned by the Civil War none was more trying than that caused by the prostration of cotton cultivation and the disruption of the foreign and domestic cotton trade. Of the

[1] *Statistical Abstract of United States, 1911*, p. 151.
[2] *Report of Board of Trade of Chicago, 1901*, p. 104. [3] *Ibid.*, 101.
[4] U. S. Census 1900, *Agriculture*, I, ccxi. [5] *Ibid.*, 673.

economic problems facing the country at the close of the war none was of greater magnitude than that of rehabilitating the cotton-raising industry. Burdened by the evils of political reconstruction, hampered by the suddenly transformed system of labor, and oppressed by the general financial and industrial ruin resulting from the costly struggle, it was little less than remarkable that the Southern States were able, within five years after the conflict ended, to bring the total production of their great staple up to the point it had reached in 1860. But notwithstanding the obstacles and difficulties that existed, the cotton crop of 1870 was slightly greater than that of 1860, and in 1877 the total product was the largest ever harvested in a single year up to that time. From that year until the end of the century the volume of cotton production steadily increased. The geographical limits of the cotton-belt, which were fixed by climatic conditions, had been reached before 1860, and consequently there was no further extension; but the cotton acreage within this region was increased from about 13,000,000 to more than 25,000,000 acres.[1] Texas, the leading State in 1900, had over 7,000,000 acres devoted to cotton-culture, producing a crop of 3,300,000 bales, and seven more of the thirteen States in the cotton-belt each had an acreage of more than 1,000,000.[2]

The manufacture of cotton cloth in the United States during this period grew at almost the same rate as cotton production, about one-third of each annual crop after 1865 being required for domestic mills. The total consumption of domestic cotton increased from 927,000 bales in 1859 to 3,632,000 bales in 1899.[3] For a number of years most of the cotton manufacture was confined to the Northern States, but following 1885 there was a rapid growth of the textile industry in the cotton-belt itself, and by the close of the century the consumption of cotton in Southern millls was equal to about three-fourths of the consumption in the mills of the North.

The internal trade in cotton during this period possessed four features which may be considered separately: (1) the concentration of cotton at interior points; (2) the movement to southern seaports; (3) the overland movement to northern markets; (4) the consumption by southern mills.

In the ante-bellum days, before railroads became a factor in the transportation of cotton, the only interior points of concentration of importance were several cities, virtually all on navigable streams leading to the Gulf or Atlantic coast. Some of the largest of these interior markets were Atlanta, Memphis, Shreveport, Vicksburg, Montgomery, Augusta, and Columbia. The development of a comprehensive system of railways in the cotton-belt, however, permitted many other inland

[1] *Statistical Abstract of United States, 1911*, p. 142; *Monthly Summary of Commerce and Finance, March 1900*, p. 2548.

[2] *Statistical Abstract of United States, 1911*, pp. 138–142. [3] *Ibid.*, 740.

cities to share in the cotton trade. Moreover, the railroads succeeded in securing the greater portion of the cotton traffic, even in regions where water transportation was available, and the river ports lost or maintained their prominence according to the advantage they possessed as railway centers. The most important of the interior markets in 1898 were Houston, St. Louis, Memphis, Augusta, Cincinnati, Atlanta, Little Rock, Montgomery, Shreveport, and Dallas.[1] Each of these cities was the focal point of numerous railroads running through productive portions of the cotton-belt. The city of Houston, through which passed a large part of the Texas cotton destined for exportation from Galveston, had the heaviest receipts, amounting to 1,768,000 bales. St. Louis and Cincinnati owed their prominence to the fact that they were the natural gateways through which cotton passed to northern markets from Texas and the lower valley of the Mississippi. In addition to the cities named there were at least 20 other interior points each handling from 10,000 to 100,000 bales a year. The combined receipts at all 30 markets comprised 55 per cent of the cotton crop for the year.

The movement of cotton from the interior to the southern seaports underwent a change during this period, due likewise to the influence of the railroads. It has already been told how the railroads extending from Savannah and Charleston had caused a decline in the relative importance of New Orleans in the cotton trade before 1860. After the war this diversion to the eastern ports continued, and the increase of the overland movement also injured the relative standing of New Orleans. However, New Orleans, too, became an important railroad center, and the geographical position of the city enabled it to maintain its position as the leading market until 1899, when Galveston took first place because of the enormous increase of cotton production in Texas, of which this city was the chief market. New Orleans and Galveston together shipped about nine-tenths of the cotton exported by way of the Gulf of Mexico, the receipts at Mobile declining to a point below what they had been in 1860. On the Atlantic coast Savannah continued to hold the lead in cotton receipts. At Charleston the receipts advanced steadily till 1881, after which they declined in volume. Norfolk and Wilmington, of relatively small importance before the war, became important markets during this period, the former ranking next to Savannah after 1880. Table 29 shows the receipts at these various ports for a number of years.[2]

The overland all-rail movement of cotton, which began about 1855, developed to large proportions after the war. Before this movement began practically all the cotton not consumed in the South was sent to southern seaports, whence it was shipped abroad directly or was carried by coastwise vessels to northern ports for exportation or dis-

[1] *Monthly Summary of Commerce and Finance, Jan. 1901*, p. 1659. [2] *Ibid.*, Mar. 1900. p. 2595.

tribution among the cotton mills. The growth of the overland movement represented the result of the efforts of the railroads to secure a share of the cotton traffic that had formerly belonged entirely to the coasting trade. So successful were the railroads in the competitive struggle that by 1899 the coastwise movement was only a third larger than the all-rail movement. The overland cotton traffic originated in all the cotton States and most of it went through St. Louis or gateways on the Ohio and Potomac Rivers to the North Atlantic States

TABLE 29.—*Bales of cotton received at principal ports, 1860, 1870, 1880, 1890, 1899.*

Port.	1860	1870	1880	1890	1899
Galveston	252,000	246,000	480,000	860,000	2,344,000
New Orleans	2,139,000	1,142,000	1,504,000	1,973,000	2,231,000
Mobile	843,000	306,000	358,000	261,000	452,000
Savannah	525,000	488,000	741,000	956,000	1,099,000
Charleston	510,000	246,000	464,000	327,000	375,000
Wilmington	41,000	59,000	78,000	134,000	291,000
Norfolk	56,000	203,000	590,000	404,000	691,000

to be sold to eastern spinners or exported from New York, Boston, Philadelphia, or Baltimore. A considerable quantity of the cotton purchased by Canada reached the border by rail, and in the latter part of the century the growth of cotton exports to Japan gave rise to heavy rail movements to the seaports on the Pacific coast. The increase of the overland movement of cotton from 1857 to 1898, as compared with the coastwise movement, is shown in table 30.[1]

TABLE 30.—*Shipments of cotton, all-rail and coastwise, 1857-1899.*

Year.	Overland movement.	Percentage of total coastwise and overland.	Coastwise movement.	Percentage of total coastwise and overland.
	bales.		*bales.*	
1857	9,264	1	760,537	99
1877–78	693,640	19	1,620,495	81
1887–88	971,702	30	2,258,875	70
1898–99	1,370,398	40	2,019,153	60

The cotton mills of the South, the number of which increased remarkably during this period, secured most of their supplies from local planters. The chief results of the local consumption were the enhanced profits of the producers in the neighborhood of the cotton mills and the stimulating effect of the added competition on the level of prices. Only in the States situated in the northern portion of the cotton-belt—Tennessee, Virginia, and North Carolina—were the

[1] *Monthly Summary of Commerce and Finance, Mar. 1900,* p. 2567.

manufacturers compelled to purchase a considerable amount of their raw material from beyond their own State boundaries. In South Carolina, Georgia, and Alabama less than 3 per cent of the mill consumption of cotton in 1899 was taken from other States. In some instances the cotton trade of certain points was reduced, the decline of exports from Charleston being due largely to the fact that the mills of South Carolina developed, until they consumed nearly half of the annual crop of the State.

OTHER FARM PRODUCTS.

Though there were no other farm products, the internal movements of which approached in value the traffic in grain or live-stock or cotton, there were many others that were important factors in internal trade.

The Southern States bought large amounts of hay from the North, this article forming an important item in the southbound river and rail traffic in the Mississippi Valley. In all the cities of the North, and especially in those having a heavy trade in live-stock, there was a large demand for hay, which in the early part of this period was usually supplied by local farms; but as cities grew larger and the demand greater, many Eastern States purchased hay from the trans-Mississippi States. The hay traffic of the railroads in 1900 amounted to 4,000,000 tons.

One of the most interesting trade developments of the period was in the eastward shipment of fruits from California. The first shipment was made in 1867, and in 1899 the traffic amounted to 193,000,000 pounds, 95 per cent of which was carried in refrigerator cars. The shipment of fresh vegetables and fruit from the warmer Southern States to all parts of the North during the months of winter and early spring was also an important feature of the internal trade of these years.

The increasing production of all kinds of vegetables and orchard fruits led to a large commerce in these articles. The potato crop of the United States in 1899 was valued at $98,000,000, and the sweet-potato crop at $20,000,000. The crop of apples amounted to 175,000,000 bushels, New York, Pennsylvania, and Ohio raising over 20,000,000 bushels each. Many of the vegetable and fruit crops were the basis of large canning industries. The products of preserving and canning in the United States in 1899 were valued at $56,000,000, of which half came from California, New York, and Maryland.

Among other agricultural products, the most valuable was tobacco, in which the States of Kentucky and North Carolina had the largest trade, Louisville becoming the largest leaf-tobacco market in the world. Louisiana possessed a large trade in cane sugar, most of which was distributed from New Orleans. The different varieties of grass seeds were important articles of trade, especially among the Central States, and the flaxseed of the Dakotas, Minnesota, Iowa, and Kansas formed a profitable source of income for the farmers there.

COAL.

Under modern conditions the industrial development of a nation is largely a question of fuel, and to the abundance of the coal-supply may be ascribed in a large measure the great increase in manufacturing and the rapid growth of the railroad mileage of the United States after 1860. However, fuel derives its importance only from the existence of opportunity for its utilization, and it may be said with equal truth that the great demand created by the development of manufacturing and transportation was the chief cause of the tremendous growth of the consumption of coal and the most important factor in the remarkable development of the coal-mining industry and the coal trade. However these various factors may be classified into causes and effects, the fact remains that at the end of the century coal-mining was by far the greatest of the mineral industries of the United States, and the shipments of coal constituted a greater tonnage than all other commodities entering into internal trade combined.

Lack of statistics makes it difficult to trace the development of the internal commerce in coal during this period, but the growth of some of the most important movements from producing to consuming centers may be indicated. The trade in anthracite coal is comparatively easy of description because of the fact that the entire commercial product came from a relatively small area in eastern Pennsylvania. In the case of the bituminous-coal trade only the general trend of the movement from the most important fields can be shown.

Previous to 1860 practically all the anthracite coal shipped from the mining district was transported by water and short rail lines to Philadelphia and New York, where it was consumed or carried coastwise to various points along the Atlantic seaboard. This eastward movement continued to constitute the largest part of the anthracite trade after 1860. The railroads, however, took practically the entire business from the canals, and a large part of the distribution to points north and south of New Jersey was also accomplished by the railroads instead of by coasting vessels from New York and Philadelphia. The desirability of hard coal as a fuel, however, stimulated a demand for it in the Central States and a considerable trade sprang up toward the west, about a fifth of the total annual output being carried in that direction at the end of the century. The chief route for this traffic was by canal or rail to Buffalo, whence it was distributed by lake vessels to points in Ohio, Michigan, Illinois, Wisconsin, and Minnesota. The receipts of anthracite coal at Buffalo in 1898 amounted to 4,225,000 tons, of which more than one-half was shipped away by lake,[1] over 1,000,000 tons being destined for Chicago; 500,000 tons for Milwaukee, and 500,000 tons for Duluth-Superior.[2] The other important

[1]20th Annual Report United States Geological Survey, VI, *Metallic Products, Coal and Coke*, 368.
[2]*Monthly Summary of Commerce and Finance, Apr. 1900*, p. 2853.

westward movement was to Pittsburgh, large quantities being shipped thither for local trade and distributed westward by rail. The fact that St. Louis in 1898 received 225,000 tons and Chicago 526,000 tons of anthracite coal by rail[1] showed the importance of the long-distance rail traffic in this commodity.

Until the early sixties the production of bituminous coal in the United States was less than that of anthracite, and the latter variety was sold to the consumer at a lower price. When large amounts of coal began to be used in the iron industry, however, the great abundance of bituminous and the wider area in which it was found caused its volume of production to increase more rapidly, and by 1900 the annual output was three and a half times that of anthracite. The tendency of industries which consumed most of the soft coal to gravitate toward the mining district, the wide extent of the region over which soft coal was found, and the relatively high cost of transportation as compared to value, lessened the possibility of a large amount of extremely long-distance traffic in this fuel. Consequently, though soft coal furnished most of the freight tonnage of the country, a relatively small part of the shipments were for such long distances as other raw materials, such as grain and cotton, were carried. Nevertheless the demand for fuel in cities not located near coal-bearing regions and the consumption of soft coal by railroads created a large and exceedingly valuable coal trade for the highly productive mining localities.

The great fields in Pennsylvania, West Virginia, Maryland, and Ohio produced considerably more than half the bituminous coal mined in the United States between 1860 and 1900. From this region there were heavy shipments in all directions. The Chesapeake and Ohio Canal and the southern trunk-line roads carried a large tonnage to the cities on the Atlantic seaboard;[2] millions of tons were floated down the Ohio River to Cincinnati, Louisville, and points below; the railroads took immense quantities westward for consumption among the cities of the Central States and for lake transportation from all important points on the southern shore of Lake Erie. The lake coal trade became especially heavy because of the absence of coal deposits in the region around Lake Superior, and because the large shipments of iron ore from such points as Duluth and Superior made possible low freight rates on return cargoes of coal.

The second large center of the bituminous-coal trade was in the fields of Illinois, Indiana, Iowa, Missouri, and Kansas. From these States came most of the soft coal consumed in the numerous manufacturing cities north and west of Louisville,[3] and the coal supplies of the Southwest were also drawn from this region. The third center of soft-coal production, which had a period of very rapid development

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[1] 20th Annual Report U. S. Geological Survey, VI, *Metallic Products, Coal and Coke*, 374, 384.
[2] *Monthly Summary of Commerce and Finance, Apr. 1900*, p. 2855. [3] *Ibid.*, 2860–2866.

after 1885, was the Alabama and Tennessee field. It provided fuel for the growing manufacturing industries of the Southeast and competed to some extent with the northern mines for the coal trade of points in the lower valley of the Mississippi.

IRON ORE, IRON, AND STEEL.

The development of the movement of iron ore from the ranges around Lake Superior to the furnaces of the Eastern States was one of the most interesting features of the internal commerce of the United States during this entire period. This was the only movement of iron ore that attained large dimensions. The close proximity of a coal-supply to the iron mines of the Appalachian district made possible the smelting of the ore of that region in the immediate vicinity of the mines, and consequently a heavy internal movement of the ore produced in that section was unnecessary. Of the iron ore produced in the Lake Superior district very little was smelted in the States where it was mined, practically all of the enormous output being conveyed by lake vessels to ports on Lake Erie and Lake Michigan to be converted into pig iron and steel in the blast furnaces of Pennsylvania, Ohio, New York, and Illinois. The magnitude of this trade is shown by the fact that from 1870 to 1880 one-fourth, from 1880 to 1890 more than one-third, from 1890 to 1895 more than one-half, and from 1895 to 1900 more than two-thirds of all the iron ore mined in the United States was shipped eastward from the Lake Superior district. The growth of these shipments, as compared to the growth of the production of iron ore in the United States, is shown in table 31.[1]

TABLE 31.—*Iron ore production in the United States, 1870, 1880, 1890, 1899.*

Year.	Production of iron ore in the United States.	Shipment of iron ore from the Lake Superior district.
	long tons.	*long tons.*
1870	3,031,891	859,507
1880	7,120,362	1,987,598
1890	16,036,043	9,003,725
1899	24,683,173	18,251,804

No industry in the United States had a more remarkable growth after 1860 than the iron and steel industry. Table 32 shows the increase in the production of pig-iron and steel from 1870 to 1900.[2]

The increase in the output of pig-iron was especially rapid between 1885 and 1890, during which time the annual amount produced doubled in volume. The most important period in the steel industry was the decade following 1890.

[1] *Monthly Summary of Commerce and Finance, Aug. 1900*, pp. 202, 206, 220.
[2] U. S. Census 1900, *Manufactures*, IV, 28, 74.

Of the development of the internal trade in iron and steel it is impossible to give accurate details, though some idea of the consumption throughout the entire country may be given, and the chief centers of production may be indicated. Practically every State east of the Mississippi and several of those west produced more or less pig-iron and steel during this period. However, there were four States that stood out most prominently in the industry. Pennsylvania contributed about one-half of the entire output of both iron and steel during the whole forty years. Ohio ranked next to Pennsylvania, being the only other State before 1890 to produce more than 1,000,000 tons of pig-iron a year. In the other two States, Alabama and Illinois, the pig-iron industry began to expand rapidly in the early eighties, and by 1900 the annual output of these two States comprised more than one-fifth of the total product of the country.[1] In Illinois the production of steel also developed rapidly; but Alabama, though turning out 1,203,000 tons of pig-iron in 1900, manufactured only 48,000 tons of steel.

TABLE 32.—*Iron and steel production in the United States, 1870, 1880, 1890, 1900.*

Census Year.	Pig-iron.	Crude steel ingots and castings.
	gross tons.	*gross tons.*
1870	1,832,876	[1]28,069
1880	3,375,912	1,027,381
1890	8,845,185	4,174,652
1900	14,452,185	10,685,000

[1]U. S. Census 1870, *Industry and Wealth*, 625.

The immense output of the iron and steel mills was sold everywhere throughout the country. A large quantity of it, in the form of rails, went to build the great mileage of railway track constructed in every State; the remainder was used as the raw material for manufactures of a great variety of iron and steel products that were used in all branches of mining, agricultural, and manufacturing industries. Practically the entire domestic product of iron and steel was consumed at home. Until 1895 the annual value of the exports of both iron and steel and the products manufactured from them was less than $30,000,000.

OTHER MINERALS.

Of the non-metallic minerals, other than coal, petroleum was by far the most important. The crude petroleum produced in the United States in 1900, amounting to 64,000,000 barrels, came chiefly from the Appalachian and the Lima-Indiana fields.[2] Ohio, West Virginia, and

[1]U. S. Census 1900, *Manufactures*, IV, 33–34.

[2]*Statistical Abstract of United States, 1911*, p. 223; 20th Annual Report of United States Geological Survey, VI, *Non-Metallic Products*, 6.

Pennsylvania together produced 52,000,000 barrels, Indiana 4,800,000, New York 1,300,000, and the only other State producing more than 1,000,000 barrels annually was California. Most of the crude oil of the two large eastern fields was conveyed in pipe-lines to the refineries of Pennsylvania, New York, New Jersey, and Ohio[1] to be converted into various finished products that occupied an important rank among the commodities entering foreign and domestic commerce.

Among the other non-metallic minerals were many varieties of stone. The marble of Vermont and Georgia, the granite of Maine, Massachusetts, and New York, the limestones of Pennsylvania, New York, Ohio, Indiana, and Illinois, the slates of Pennsylvania and Vermont, and the sandstones of Ohio formed the largest part of the $36,000,000 worth of stone produced in 1900 and distributed over the country. Large quantities of Portland cement were shipped from factories in Pennsylvania, New York, and Ohio. The phosphate rock of Florida, South Carolina, and Tennessee constituted an important part of the domestic and foreign trade of those States. 20,000,000 barrels of salt were produced in 1900, the leading centers being New York, Michigan, Kansas, and Ohio. The natural-gas fields were located in the same States in which petroleum was found in large quantities, and gas was piped to nearly all the large cities between New York and Chicago to be consumed in factories and homes.

Of the metallic minerals, other than gold and silver, the most valuable was copper. The production of this metal grew from 7,200 tons in 1860 to 270,000 tons in 1900.[2] The three important mining districts in 1900 were Montana, Arizona, and the Lake Superior district, these three regions producing 475,000,000 pounds. Until 1882 the Lake Superior district contributed over three-fourths of the copper mined in the United States, but thereafter this field declined in relative importance though increasing its total output.[3] Practically all of the copper ore was smelted in the locality of the mines and the metal shipped to the refineries in the Eastern States to be worked up into useful forms. Over 32 per cent of the refining in 1900 was done in New Jersey.[4]

FOREST PRODUCTS.

In 1900 there were five large lumber-producing regions in the United States, commercially distinct from one another because of location or difference in the character of product, ranking as follows in order of the volume of output: (1) The southern region, made up of Oklahoma,

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[1]U. S. Census 1900, *Manufactures*, IV, 684.
[2]*Statistical Abstract of United States, 1911*, p. 735.
[3]20th Annual Report of United States Geological Survey, VI, *Metallic Products, Coal and Coke*, 160.
[4]U. S. Census 1900, *Manufactures*, IV, 140.

Texas, Louisiana, Arkansas, and all the States east of the Mississippi and south of the Ohio and Potomac Rivers, except Kentucky and Tennessee; the chief timbers of this section were the longleaf and the shortleaf yellow pine and cypress; (2) the lake region, including Wisconsin, Michigan, and Minnesota, with white pine and hemlock as the characteristic woods; (3) the Central States (Illinois, Indiana, Kentucky, Missouri, Ohio, Tennessee, and West Virginia), forming the great hardwood belt; (4) the northeastern region, embracing the New England and Middle Atlantic States, with the spruce, pine, and hemlock of Maine, and the pine, hickory, and oak of the Middle States as the principal timbers; (5) the Pacific States, important for their large area of redwood, fir, cedar, and pine.[1] The lumber production of these five districts, amounting to more than 34,000,000,000 feet, together with shingles, naval stores, and other forest products, contributed a large volume of material to the internal commerce of the nation, the lumber tonnage of the railroads being greater than the tonnage of any other commodity except bituminous and anthracite coal.[2]

The principal feature of the internal trade in forest products between 1860 and 1900 was its rapid development in the great central region extending from the Great Lakes to the Gulf States. Before 1860 the Lake region had assumed a prominent place as a lumber-producing center, and in addition to supplying a large quantity of material for the construction operations of all kinds in the Central States, it was producing a heavy surplus of boards and staves which were shipped by lake to Buffalo to be distributed eastward. The development of manufacturing and transportation after 1860, the growth of cities, and the settlement of farming regions caused a continually increasing demand for forest products and a rapid exploitation of all the timber resources of the Central States.

By 1880 the three Lake States formed the most important lumbering center in the country, a position which they held till near the end of the century; Michigan was the leading State for more than a score of years. The chief primary market was Saginaw, where the production of white-pine lumber alone in 1882 amounted to nearly 900,000,000 feet.[3] As the pine forests of Michigan disappeared, the lumber industry of the Lake district shifted westward and Minneapolis and Duluth became the most important primary markets.[4] From the three cities just named and many other points in the Lake region the sawed lumber, lath, and shingles were shipped by water and rail to such points as Chicago, St. Louis, Detroit, Cleveland, and Buffalo for local consump-

[1] *Statistical Abstract of United States, 1911*, pp. 160–167; *Monthly Summary of Commerce and Finance, Nov. 1900*, p. 1084.

[2] *Statistics of Railways in the U. S., 1900*, p. 65.

[3] *Monthly Summary of Commerce and Finance, Nov. 1900*, p. 1128.

[4] *Ibid.*, 1129, 1132.

tion and distribution. Table 33 gives statistics of the receipts and shipments of lumber and shingles at Chicago and affords an index of the volume of trade.[1]

TABLE 33.—*Receipts and shipments of lumber and shingles at Chicago, 1860, 1870, 1880, 1890, 1900.*

Year.	Lumber.		Shingles.	
	Receipts.	Shipments.	Receipts.	Shipments.
	M feet.	*M feet.*	*M feet.*	*M feet.*
1860	262,494	225,372	127,894	168,302
1870	1,018,998	583,490	652,091	666,247
1880	1,561,779	925,682	649,546	134,375
1890	1,941,392	812,655	515,575	108,822
1900	1,596,746	769,451	338,488	244,276

In the Northern Central States there was a development of the manufacture of vehicles, agricultural implements, furniture, and other wood products, in which a large part of the hardwood timber of that district was consumed. A large share of the cross-ties and heavy lumber used by the railroads was also supplied by the oak forests of this region. The greater relative value of cleared land hastened the deforestation of much of the region north of the Ohio River, and at the end of the century many of the wood industries depended for raw material on hardwoods shipped from Kentucky, Tennessee, and Alabama, for which Cincinnati was the leading distributing center.

Until after 1880 the timber resources of the States of the lower Mississippi Valley were developed slowly, but as the forests of the Lake region and the Northern-Central States were cut away, the manufacturing districts of the North began to draw heavily upon the yellow-pine forests of the South. The result was seen in the rapid expansion of lumber production in such States as Arkansas, Mississippi, Louisiana, and Texas, each of which was producing more than 1,000,000,000 feet of lumber in 1900, a greater quantity than the combined output of all four States in 1880. The principal distributing center of the north-bound internal shipment from the yellow-pine district was St. Louis. The lumber receipts at this city in 1899, composed chiefly of yellow pine, amounted to 1,100,000,000 feet.[2]

The internal movement of lumber along the Atlantic and Gulf coasts consisted largely of shipments from the forests and mills to the seaports, the interstate traffic being cared for to a large extent by the coasting trade. Practically every port from Baltimore to Jacksonville was an important market for lumber sawed in the South Atlantic

[1]*Report of Board of Trade of Chicago, 1901,* p. 104.
[2]*Monthly Summary of Commerce and Finance, Nov. 1900,* p. 1147.

States, and the Gulf ports also collected large quantities of other southern forest products for coastwise and foreign commerce. An important part of the trade in forest products in the southern region was in naval stores, of which the yellow pine yielded a large and valuable supply. In the northeastern region the spruce timber of New York, Maine, and New Hampshire formed the basis of an extensive trade in wood-pulp.

The large timber resources of the Pacific States began to be developed on an extensive scale in the eighties, the total production of 2,000,000,000 feet in 1890 being $3\frac{1}{2}$ times the product of 1880. Until the completion of the Northern Pacific and Great Northern Railroads, California was the leading State, but in 1890 the output of Washington was equal to that of the other two States together. The centers of the lumber and shingle trade of this region were San Francisco, Portland, and the ports on Puget Sound. Until late in the century most of the commerce in forest products was confined to heavy coastwise shipments and a small foreign trade. However, reductions in freight rates on east-bound lumber led to the building up of a large inland trade. Thousands of carloads of shingles and building timbers were shipped to States east of the Rocky Mountains to compete with the white pine of the Lake district and the yellow pine of the South,[1] and the rapid rate of increase of this trade indicated that within a few years the area of competition was to spread farther and farther to the east.

PROGRESS OF MANUFACTURES.

The progress of manufacturing after 1860 was marked by a great augmentation of production, a continuance of the tendency to transfer household industries to shops and factories, a concentration of manufacturing within a relatively small section of the country, and a localization within that section itself of many of the various single industries. These factors, together with the expansion of the consuming powers of the nation and the development of the transportation system, furnished the basis of an enormous internal trade in manufactured products.

Table 34 shows the percentage of the total manufactures of the census years of this period produced in the various groups of States.[2]

It will be seen that in 1859 the New England and Middle States produced nearly three-fourths of the total manufactures, and that their share in 1899 was still more than one-half, while these two groups together with the Central States turned out more than eight-tenths of the total product of manufactures of each census year. In general it may be said that the rest of the country was dependent upon these sections for manufactured wares, and when one considers that most of the manufacturing in the South, with the exception of the textile

[1] *Monthly Summary of Commerce and Finance, Nov. 1900*, p. 1119.
[2] U. S. Census 1900, *Manufactures*, I, clxxv.

industries developed late in the century, consisted in converting cotton, forest products, and sugar into marketable form, that the manufacturing in the West was chiefly the smelting of minerals and sawing of timber, the enforced reliance of these sections upon the northeastern quarter of the country becomes still more evident. The fact that over one-half of the manufactured products of the United States in 1899 was produced in five States—New York, Pennsylvania, Illinois, Massachusetts, and Ohio—serves to designate still more closely the chief centers of trade in manufactured goods.

TABLE 34.—*Percentage distribution of manufactures by groups of States, 1860-1900.*

Region.	1860	1870	1880	1890	1900
New England States	27.8	23.8	20.6	16.0	14.4
Middle States	42.5	41.8	41.3	38.9	38.0
Southern States	10.3	6.6	6.3	7.5	9.1
Central States	18.1	24.9	28.0	31.4	30.7
Western States	0.4	1.1	1.4	3.0	4.3
Pacific States	3.9	1.8	2.4	3.2	3.3

The segregation of many large industries within the manufacturing belt itself was an important factor in determining the course of internal trade between the manufacturing States and the rest of the country and among the manufacturing States themselves, which were the largest consumers as well as the largest producers of manufactured goods. Of the products of the slaughtering and meat-packing industry, the trade in which has already been described briefly, over 67 per cent came in 1899 from Illinois, Kansas, Nebraska, and Indiana. Chicago alone contributed 35.6 per cent in 1889 and in 1899 the share of that one city was 45 per cent or nearly one-half of the entire product of the country. Pennsylvania manufactured over one-half of the entire quantity of iron and steel products of this period and a large proportion of the glass. The manufacture of agricultural implements moved westward with the development of the central grain belt, and in 1899 Illinois was credited with 41 per cent of the total product. The leather industry was largely centralized in Pennsylvania, Massachusetts, and New York, and of the boots and shoes manufactured and sold throughout the country Massachusetts produced approximately one-half. This State led also in the manufacture of cotton goods, turning out a third of the entire amount.

Of the 15 leading manufacturing cities in 1899, 12 were situated east of the Mississippi River and 2, St. Louis and Minneapolis, were situated on the banks of that river. All of these cities were the centers of a large amount of trade. New York City alone produced in 1899 over one-tenth of all the manufactures of the country; Chicago and Philadelphia together produced another tenth. These three cities,

in the order named, led all other cities in printing and publishing, in the production of men's and women's factory-made clothing, and in the manufacture of planing-mill products. They also led, though not in the same order, in foundry and machine-shop work and the manufacture of cigars and cigarettes.

GROWTH OF THE VOLUME OF INTERNAL COMMERCE.

The increase of the total value of the products of manufactures from less than $2,000,000,000 in 1859 to more than $13,000,000,000 in 1899 is an index of the growth of the internal trade in manufactured products. Of a total of 516,000,000 tons of classified freight transported by the railroads in 1900, manufactures furnished over 69,000,000 tons or 13.41 per cent of the total, a larger proportion than any other class of freight except products of mines, which formed more than one-half of the total traffic. In the territory north of the Ohio and Potomac Rivers and east of Illinois and Lake Michigan, manufactures constituted 16.52 per cent of the entire traffic,[1] and probably represented a much greater value than any other class of freight.

The distribution of imported merchandise from the seaports and other points where they enter the country, like the collection of merchandise intended for export at such places, forms an important part of the internal trade of any nation possessing a large foreign commerce and having a wide expanse of territory over which the imports must be distributed.

The annual value of the imports of the United States rose from $353,000,000 in 1860 to $850,000,000 in 1900. About one-third of the imports of the entire forty years consisted of food products in crude or manufactured state, among the most important of which were sugar, coffee, tobacco, fruit, and tea. Manufactures ready for consumption and manufactures and raw materials for use in the manufacturing industries of the United States made up practically all the remainder. A conspicuous feature of the importations was the decreasing proportion of finished manufactures, and the increasing proportion of raw materials, the latter class of imports being first in importance at the end of the period.

By far the largest part of the imports of the United States entered by way of New York. This city received 70 per cent of the total in 1860 and in 1900 its share was 60 per cent. Boston, Philadelphia, and Baltimore were the only other large importing centers on the Atlantic coast, but their receipts were small in comparison to those of New York. The imports at New Orleans reached an annual value of $20,000,000 only twice in the forty years, and usually they were less than $15,000,000. On the Pacific coast the increasing trade with Hawaii and nations of eastern Asia caused a steady growth of importations at San Francisco, their value rising from $7,000,000

[1] *Statistics of Railways in the United States, 1900*, p. 66.

in 1860 to $47,000,000 in 1900. The imports received at the northern border and Lake districts also formed an important part of the foreign trade and added to the internal trade of Chicago, Detroit, Buffalo, and other ports of entry in that region.

The best index of the growth of internal trade after 1860 was the vast increase in the freight tonnage of the railroads over which the largest part of the trade was conducted. In 1860 the total traffic originating on the railway lines of the country probably amounted to about 26,000,000 tons.[1] In 1900 the tonnage of railway traffic, exclusive of that received from connecting lines and other carriers, was 593,970,955.[2] The freight carried on inland waterways in 1860 was apparently about equal in amount to the railway traffic. In 1900 the traffic on inland waterways amounted to about 90,000,000 tons, of which 60,000,000 tons were carried on the Great Lakes, 28,000,000 tons on the Mississippi River system, and 2,000,000 tons on other rivers and canals.

Of the railroad traffic in 1900 about 87 per cent was classified by the Interstate Commerce Commission according to the character of freight and the territory of the lines on which it originated. Of the 516,432,217 tons thus classified about six-tenths originated in the territory north of the Ohio and Potomac Rivers and east of Illinois and Lake Michigan; one-eighth in the territory south of the Ohio and Potomac Rivers and east of the Mississippi River; and the remainder in the territory west of Lake Michigan, Indiana, and the lower Mississippi River. Products of mines made up 52.59 per cent of this classified tonnage; manufactures 13.41 per cent; products of forests 11.61 per cent; products of agriculture 10.35 per cent; merchandise 4.26 per cent; products of animals 2.87 per cent; and 4.91 per cent was classed as miscellaneous.[3]

SUMMARY.

A most interesting and significant feature of the history of the United States during this period was the transition in the character of the economic problems of the country. Until the time of the Civil War its chief problems had been those of securing the means to develop its resources, of acquiring the facilities to move its products from place to place, of providing markets in which its products could be sold. As capital, population, and transportation facilities were provided to perform the work of developing the latent wealth of the continent, it was discovered that from their presence grew far larger and more vital economic and political problems than their absence had ever created. The economic difficulties of the nation after the Civil War arose chiefly because of the existence of the things which before 1860 it was a question of acquiring.

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[1] U. S. Census 1860, *Preliminary Report*, 105.
[2] *Statistics of Railways in the United States, 1900*, p. 67. [3] *Ibid.*, 66.

In no instance was this general proposition better demonstrated than in the railroad problem. For nearly sixty years of the nineteenth century the chief obstacle to internal trade had been the lack of the means of transportation. To overcome this difficulty the States had first built or aided canals and railroads. Many of the State enterprises failing because of weak administration, the States had surrendered the management of railroads to private corporations, but the public still shared in the work of railroad construction through the numerous grants of aid by Federal, State, and local governments. For a number of years almost the only activity of the public in regard to the railroads was to foster and protect the interests of the railroad companies. In the seventies the public gradually came to realize that the railroad companies disregarded the interests of the public. Persons and communities found themselves at the mercy of railroad corporations, which, by discriminations in charges, built up and destroyed towns and had power to control arbitrarily the economic future of sections of the country. Moreover, the railroad companies were instrumental in the creation of industrial combinations which were considered to be a menace to the welfare of the general public. The transportation problem of the United States was not alone that of providing facilities, but also that of controlling and regulating the existing facilities in such a manner that reasonable rates and services would be given to the public that had intrusted the business of transportation to private agencies. Regulation was first exercised by State legislation. The States being powerless to regulate the interstate trade, the National Government found it necessary to act, and in 1887 the interstate commerce law was enacted, having for its chief purpose the prevention of unjust discrimination. As a regulative measure the law proved inadequate, and some important provisions were narrowed in scope by a series of decisions by the Supreme Court. The century ended with railroad regulation but partially accomplished.

No less pressing than the problem of regulating the railroads over which the internal commerce of the nation was carried on was the question of regulating the great combinations of capital through which a large part of the buying and selling of the products of the country were controlled. The unfair advantages secured by large combinations because of their abundance of capital and the discriminating favors of railroads enabled them often to throttle competition and to create monopolies that were a menace to the public. This situation brought about the enactment of the Federal anti-trust act of 1890 intended to prevent the monopolization of trade, but previous to 1900 but little application of the law had been made.

To the tariff and to the currency the nation owed its most bitter political struggles after the reconstruction of the Union was accomplished. Immediately after the war ended an agitation was begun for the downward revision of the tariff. In 1872 there was a horizontal

reduction of 10 per cent, but the old rates were restored in 1875 because of a falling off in revenue during the panic of 1873. In 1882 a national tariff commission recommended a 25 per cent reduction of the duties, but the protectionist influence was too strong to permit such a change. Slight reductions were made, however, in 1883, but in 1890 the McKinley act was passed, raising the level of rates higher than ever. The presidential campaign of 1892 was fought out on the tariff issue, and though the Democratic party, which championed revision, was victorious, it was able to make an average reduction of only about 10 per cent. The panic of 1893 was ascribed to the new tariff act, and when the Republican party returned to power in 1897 the Dingley act was enacted, raising the general average of duties to a point 10 per cent higher than it had been at the close of the Civil War.

The frequent disasters into which a poor monetary system had plunged the nation during the first ninety years of its existence would seem to have been sufficient incentive to cause the currency to be placed on a sound basis, but as a matter of fact the situation after the Civil War, with the exception of the improvement of the banking system, was in other respects worse than it had been before. The chief trouble arose because of the adoption of measures intended to satisfy insistent demands for a greater volume of money without making provisions for its retirement when business conditions were such as to warrant a contraction of circulation. A quarter of a century of struggle finally ended in the overthrow of the advocates of the unlimited coinage of cheap silver money, but no attempt was made before 1900 to remedy the inelasticity of the national currency or to check the tendency toward a concentration of the control of credit in a few financial centers. In 1873 and in 1893 the country suffered from money panics, the latter one being due almost entirely to unwise financial measures that had virtually bankrupted the Government and destroyed confidence in the money it issued.

The end of the century was reached with only a little headway made in the solution of the most vital economic problems. In striking contrast to the conditions of American industry, from 1830 to 1860, when there was neither much pauperism nor great riches, this period from 1860 to 1900 saw the development of both poverty and wealth, and furthermore, an ever-growing tendency toward the concentration of national wealth under the control of a few powerful interests. The disregard which some of these interests evinced for the welfare of the general public and the power which they possessed to thwart the attempts of the public to protect itself created the most serious question which confronted the nation. However, there was ample evidence that the national consciousness was beginning to take cognizance of much of the existing maladjustment and was awakening to a sense of duty long undone. In a quick and intelligent realization of the meaning of existing conditions lay the hope for the immediate future.

CHAPTER XVII.

ORGANIZATION AND MANAGEMENT OF INTERNAL TRADE.

It is intended to present in this chapter a short account of the development during the nineteenth century of some of the more important commercial institutions and commercial practices by means of which the growth of the internal trade of the United States was facilitated and its operations given a greater degree of safety, certainty, and regularity. To give a history of all the changes in the methods and means employed by buyers and sellers to meet and transact their business and to describe in detail the exact manner in which the operations of commerce were carried on during the course of the century would require more space than can here be given to those topics. However, the number and importance of the innovations and modifications in the commercial processes of the nation render it necessary to give at least a brief survey of the history of the institutions, to the influence of which was due in a large measure the great transformation which took place in economic and commercial conditions.

TRANSPORTATION AND COMMUNICATION.

As regards changes in the field of transportation, enough has been said in previous chapters concerning the advance made in mechanical processes. Attention has also been called to the close relations that existed between the progress of internal trade and the evolution of the inland transportation system through the various stages of winding trail, inferior earth road, turnpike, canal, and railroad. No other single feature of the progress of the work during the nineteenth century was more significant than the improvement and development of "the inventions which abridge distance," and no country reaped greater benefits from the changes in the means of transportation than did the United States. To the continuous improvement of the methods of carrying goods from place to place, more than to any other single cause, was due the rapid progress of domestic trade. Space and time and the difficulties imposed by the physical features of the surface of the earth and the wide variety of climatic conditions were all overcome, and the operations of trade largely relieved of the burdens formerly imposed by elements of risk and chance.

An important advantage coming with the improved system of transportation was the possibility of securing through freight service over long distances, regardless of the number of carriers employed in the

movement. In the first part of the century few common carriers offered regular transportation service over long inland routes, and there were few instances where through routes and through rates were given by connecting carriers. A shipper sending a consignment of goods which had to be conveyed by several different carriers in turn was compelled either to accompany his shipment, or to employ an agent at the terminal of each route to take charge of his property and forward it to the next point of reshipment, until it reached its final destination. It was impossible to calculate in advance the cost of transporting freight for long distances, and the expense and delay occasioned by the necessity of providing for the special oversight of through traffic was a great burden to internal trade. Sellers of goods often provided their own means of transportation to distant markets and accompanied their shipments, and merchants at inland points usually made periodical trips to large cities, where they would lay in a large stock of goods sufficient to supply the needs of their trade for a considerable length of time.

The development of the railway freight service put an end to these difficulties of long-distance transportation. Before 1860 the elimination of the forwarding agencies was begun through the formation of the fast freight lines—companies organized especially for the purpose of caring for traffic passing over the lines of more than one railroad company. These freight lines provided their own cars and made arrangements with different railroads for hauling them, thus obtaining continuous service between distant points. Because of several abuses springing up in connection with the operations of these freight lines they were soon superseded, to a large extent, by cooperative lines, which were merely joint arrangements entered into by two or more connecting railroads, each supplying a definite share of the equipment for the through service. The final step in the direction of securing freedom of movement was the agreement of practically all the railroads of the country to permit the interchange of their freight-car equipment. The adoption of the system of car interchange marked the discontinuance of the organization of fast-freight lines, and even those which still existed at the close of the century had lost their former status, practically all of them having become company lines or freight bureaus of large railway systems which had been formed by the consolidation of the lines that had previously entered the joint traffic arrangement.

Thus at the close of the century it was possible for a shipper in any part of the United States to bill goods, either in carload or less than carload amounts, to a consignee in any other part of the country, receive a through rate on the shipment, and be relieved of all care of his property while it was in transit, regardless of the number of times it was transferred from the lines of one carrier to those of another. These benefits were at first given voluntarily by transportation agencies for the purpose either of attracting business or of meeting competition,

and the public had become so accustomed to them that they were no longer regarded as favors growing out of considerations of a business nature, but as rights to be maintained and protected by legislative enactments.

It is impossible to estimate the beneficial effects on trade of the improvement in the system of caring for traffic. The speed and safety with which goods could be transported from one section of the country to another eliminated practically all the necessity of making allowance for an element of chance in trade calculations. Buyers of goods found it unnecessary to tie up a considerable portion of their business capital for the sake of keeping in possession a large stock of commodities, there being always a reasonable certainty that they could replenish a diminished supply within a short period of time. Furthermore, large amounts of capital were no longer locked up because of the excessive delay of goods in transit, and all business transactions could be carried on with more regularity and economy. Shippers found it possible to negotiate the bills of lading representing the property intrusted to carriers, and their operations were not hampered by the need of waiting for final settlement with consignees. A greater stability was given to prices, both because commodities could be moved freely and quickly, and because it was possible to calculate exactly the cost of transportation for any distance.

Another important development in the field of transportation was the express service, which was first started in 1839 by William Harnden, of Boston. Previous to the origin of this service, it had been customary to send money and small parcels by stage-drivers, steamboat captains, railway conductors, special messengers, or friends and acquaintances who happened to be journeying to the point where delivery was desired to be made. Harnden saw the need of a safe and more systematic service than such methods afforded, and he established a regular express business between Boston and New York, he himself receiving and carrying parcels between the two cities. The immediate success of his initial effort caused him soon to extend the service to other points, hiring agents and messengers to receive and care for the parcels, and making special contracts with railroad and steamboat companies for the transportation of his men and their traffic. The profitableness of his venture encouraged others to enter the field, and within a dozen years several companies were organized to give similar service over various sections of the country. By the end of the century the business had grown to immense proportions. Most of it became centralized in the control of a half dozen large companies, which in a general way divided up the country among themselves, thus protecting their business from the danger of loss arising from violent competition and insuring to all of them a large measure of profit. The service, which at first was confined to a high-class parcel traffic, became much more

comprehensive in its nature as time passed. Perishable commodities requiring careful transportation and speedy delivery became a part of the regular express traffic, valuable live-stock and shipments of machinery were handled, and in fact all kinds of packages, either large or small, upon which the shippers were willing to pay charges higher than those paid for railway freight service in order to secure more rapid and prompt delivery. Furthermore, the express companies developed a money-order and letter-of-credit service, an order and commission business, and a collecting service.

Of almost equal importance with the betterment of the transportation service given to the country was the improvement in the facilities for communication. The progress made in trade would have been impossible without the means for securing a more rapid dissemination of information; and the development of the steam railway itself to its high degree of efficiency could not have been accomplished had it not been for the invention of its great accessory, the electric telegraph.

As early as 1835 Samuel F. B. Morse perfected a mechanism for transmitting verbal messages along an electric wire. He was unable to interest business men in his device and endeavored to persuade Congress to grant him sufficient funds to establish an experimental line. He exhibited his invention before Congressional committees in 1838, and five years later he finally secured an appropriation of $30,000 for the construction of a line between Baltimore and Washington.[1] This line was put in operation in 1844, and it immediately demonstrated the practicability and enormous usefulness of the great invention. By 1860 over 50,000 miles of telegraph line were being operated in the United States. All the cities of the eastern half of the country were connected with one another and in 1860 a line was built from the Cordillera to the Pacific coast. The use of the telegraph in train dispatching was begun about 1850. By 1900 there were about 200,000 miles of telegraph line in the country and the number of messages sent each year amounted to nearly 65,000,000.

The services which the electric telegraph performed in the operations of commerce are incalculable: producer, consumer, and merchant were brought into immediate and constant touch with one another, regardless of the distance by which they were separated; the conditions of demand and supply could be made known at all markets; price quotations could be carried broadcast to all parts of the country at the same time; and information concerning the industrial and business situation in any locality could be communicated instantly to any point. Business men could direct their enterprises from a distance, and merchants in widely separated localities could transact their affairs with one another with as much expedition and certainty as if they were together.

[1] E. L. Morse (ed.), *Samuel F. B. Morse, His Letters and Journals.* 2 vols.

Commerce was enabled to rid itself of many costly practices that encumbered its processes under previous conditions. A large number of middlemen were dispensed with, and the costs of their commissions taken off the price of commodities, the amount of stock in trade necessary for a merchant to keep in store was greatly reduced, and the greater certainty with which conditions of the future could be calculated decreased the margin necessary to allow for safety in commercial transactions.

Other means of communication also became highly developed during the century. The efficiency of the postal service given to the people by the government was improved constantly, and at the same time the rates of postage were greatly reduced. The railway post-office, the free delivery of mail by carriers in cities and in many rural districts, and the postal money-order system were some of the more important improvements in the service. The mileage of post-routes in 1900 was 500,989, the number of post-offices 76,688 and the number of pieces of all kinds of mail matter handled 7,129,990,202. The telephone was invented in 1876 and quickly became an important adjunct to commerce. The number of newspapers, trade journals, and other publications grew very rapidly, and their usefulness as a means of spreading information concerning prices and business conditions and as a medium for advertising made them a prominent factor in the development of trade. In 1900 nearly 21,000 newspapers and periodicals were being published in the United States.

FUNCTIONS AND DEVELOPMENT OF MARKETS AND EXCHANGES.

In the organization of markets or the actual manner in which buyer and seller meet to transact their business there was as marked a development during the century as in the methods of transportation and communication. This was true particularly as regards the market for the staple agricultural products, such as grain, cotton, and live-stock. In the marketing of most manufactured goods and most of the mineral products, including the two leading ones, coal and iron, the organization consistently preserved the form and principle of the direct-selling system based on actual bargaining between seller and buyer, though there were many modifications in the details of the methods employed by producers to get their wares to consumers either directly or through a series of wholesaling and retailing middlemen. It will be unnecessary to discuss this form of organization. In the marketing of many raw materials, and especially of farm products, instead of the direct-selling system which prevailed during the first part of the century there was developed a series of exclusive markets or produce exchanges in which the prices of products and the volume of exchanges were determined by the competitive bidding of a restricted class of organized traders. The importance of the functions of these produce exchanges and the

influence they exerted on commerce warrant a brief description of their chief features.

The great produce exchanges of the United States began to develop about the middle of the nineteenth century in response to the need for a well-organized market for the distribution of the staple agricultural products of the country, which had increased in amount until they so far exceeded the local demands each year that the surplus stocks were sufficient to supply materials for a trade world-wide in its extent. The improvements in the methods of transportation and communication facilitated the growth of trade, but in order to secure an adequate distributive system it was necessary to develop a special commercial organization in which buyers and sellers would have the advantages of maximum promptness and convenience as well as of uniform standards of usage, and consequently general and special exchanges, the former admitting several commodities to the list of products which could be bought and sold within its precincts and the latter organized for trade in one commodity only, grew up at the important commercial cities which were the collecting and distributing points for the various agricultural products of the country.

A produce exchange is merely an organized market in which people may buy and sell freely certain commodities either in person or through a broker. The main purposes of the exchange, which are always enumerated in its charter, are: to maintain a suitable room for a market-place; to inculcate just and equitable principles in trade; to establish and maintain uniformity in commercial usages; to acquire, preserve, and disseminate valuable information; and to adjust controversies and misunderstandings between persons engaged in business. The exchange itself makes no transactions in the trade as an organized body, the trading being done solely by individual members, who are limited in the extent and nature of their transactions only by their own desires and the standards imposed by the special trading rules and regulations of the exchange organization.

There are two main kinds of transactions on a produce exchange—trading in a commodity for immediate delivery or "spot" transactions, and trading in contracts for delivery at a specified future time or dealings in "futures." The original and basic purpose of the organization of exchanges was to facilitate the former class of sales by providing a convenient place at which all the merchants interested in the trade in a particular commodity could meet and buy and sell among one another. This kind of trading still comprises a large amount of the business done on produce exchanges. Practically all the smaller exchanges have never been anything else but "spot" or "cash" markets, but in the larger exchanges not only did cash trading grow to a large volume, but speculative dealing in a few commodities, such as grain and cotton, also became highly developed.

The advantages of the cash market of the produce exchange are obvious. The organization of a series of exchanges creates a continuous market, insures a more or less general level in the price of a commodity in all markets, and gives an added mobility to produce, all of which result in great benefit to both producer and consumer. The dealing in futures on produce exchanges has met with much unfavorable criticism, but a clear understanding of the exact nature of speculative trading reveals that when conducted within proper limitations it renders an important service to commerce which could not well be dispensed with. The chief advantage lies in the fact that it affords a way for merchants and manufacturers to insure themselves against a loss of ordinary trade profits by shifting the burden of risk to an expert commercial class who make it a profession to assume the risk on a chance of gain from price fluctuations at different times and places. A grain merchant, an exporter, or a miller, through the process of "hedging," can protect himself against the hazard of a loss of trade profit, and the service which a produce exchange renders enabling this to be done makes it both an effective and an extremely useful commercial institution. Evil practices, it is true, have risen in connection with speculative operations on exchanges, but these do not detract from the usefulness of these markets as far as concerns their legitimate and proper functions.

This brief description indicates in a general way the purpose and function of produce exchanges. As was previously stated, the great exchanges of the United States were organized about the middle of the nineteenth century. Some of them were the direct successors of mercantile organizations without trading functions which had been formed originally for the purpose of promoting the commercial interests of various sections of the country. The New York Produce Exchange, incorporated in 1862, had an ancestry running back through many both trading and non-trading organizations, the earliest of which were founded in colonial times. The Merchants' Exchange of St. Louis, the history of which as a trading body began about 1850, was the successor of the St. Louis Chamber of Commerce, organized in 1836 primarily as a debating society. The Chicago Board of Trade was organized in 1848 and incorporated eleven years later. The New York Cotton Exchange and the New Orleans Cotton Exchange were both incorporated in 1871. Other important exchanges organized during the latter part of the century were the Live Stock Exchange of Chicago, the Chamber of Commerce of Minneapolis, the Duluth Board of Trade, and the Board of Trade of Kansas City. Many other exchanges were established at other important commercial cities. All of these great markets provided the medium through which a large part of the agricultural produce of the country was transferred from producer to consumer, and their organization and growth constituted an important feature of the commercial progress of the century.

FEDERAL AND STATE BANKING.

Of equal importance in the operations of commerce with the organization of the market and the methods of transporting goods, is the system for settling accounts between debtors and creditors. The difficulty and inconvenience of attempting to complete every commercial transaction by a transfer of money led long ago to the devising of a means by which settlements could be made by transfers of credit and to the development of banking institutions to facilitate such transfers. Classic still is the comparison made by Adam Smith of the "judicious operations of banking" to a "waggon-way through the air," and in Alexander Hamilton's report on the Bank of the United States one may find a concise and lucid statement of the whole theory of modern banking.

The primary function of a bank is to serve as a "manufactory of credit." This credit a bank lends to business men who transfer it from one to another for the payment of debts just as they would transfer money, it being understood that the bank stands ready to redeem its credit obligations at all times with lawful money. The evidence of bank credit used in transfers may in general take two forms—bank notes payable to the possessor on demand, and checks or drafts payable to the order of a specified individual. In the early period of American history the bank note was the form of bank credit most extensively used, but as commerce grew and the banking business of the country developed in efficiency the method of settlement of business transactions by the use of checks and drafts became proportionately more important, and at the close of the century by far the largest part of the trade of the country was carried on by this means.

Banking in the United States has had a checkered history. During the colonial era the scarcity of specie was the cause of most of the attempts at banking, which were in the main confined to efforts of companies or partnerships to emit on landed security bills of credit which would supply the need for a circulating medium. Such experiments violated the cardinal principles of safe banking, that a bank should be ready to redeem its obligations in money, and that its investments should have not only the quality of safety but also that of being "quick," that is, easily convertible into money at any time. Practically all of the experiments failed dismally or were suppressed by the colonial governments or by the government of the mother country.

At the time of the adoption of the Constitution there were three banks in the United States—one each in New York, Boston, and Philadelphia—all of which were organized after 1780. The Philadelphia institution, called by name the Bank of North America, was chartered originally by Congress and it rendered important service to the National Government during the closing days of the Revolution, at a time when the credit of the country had reached its lowest ebb and the Continental currency had become worthless. All three of these banks were man-

aged in a conservative manner and all of them continue to exist at the present time.

Twice after the formation of the Union the National Government granted a special charter to a bank, the Government becoming a shareholder in the bank in both instances. The first Bank of the United States, chartered in 1791, was organized according to plans formulated by Alexander Hamilton, who fathered a number of important measures intended to restore the disordered finances of the nation and place its credit on a firm basis. The bank was an extremely successful enterprise. It was the fiscal agent for the government, and it rendered a still greater service by acting as a regulator of the currency, its high standards compelling State banks carefully to avoid any undue expansion of their issues of paper money. Mainly because of the opposition of State banks, which wished to avoid the competition of such a powerful rival, the first Bank of the United States failed to secure a renewal of its charter, and in 1811 it was put in liquidation. A large number of additional State banks immediately sprang into existence to take its place. Lack of proper regulation permitted a rapid inflation of the currency. During the sharp crisis of 1814 most new banks in all the States, and most old banks outside of New England, suspended specie payment, and the Federal Government, with most of its money deposited in the suspended banks, the notes of which were quoted at discounts varying from 10 to 30 per cent, found itself in desperate financial straits. The ending of the war brought a measure of relief, but the disordered state of the currency induced President Madison to recommend the establishment of a second bank, which was chartered, accordingly, in 1816. During the first few years of its career the bank was nearly ruined by the mismanagement of its directors, but by 1820 it was placed in a sound condition and it eventually succeeded in its original purpose of establishing a sound and uniform currency. Unfortunately the question of renewing the charter of the bank was made a political issue by its president for the purpose of defeating Andrew Jackson in 1832. A spectacular conflict ensued in which Jackson was completely victorious and the bank failed to secure a renewal of its charter, falling a sacrifice to its entanglement with the political fortunes of Henry Clay and the Whig party.[1]

Between 1836, the time of the expiration of the charter of the second Bank of the United States, and 1863, the year of the enactment of the national banking law, the regulation of banking in the United States was left to the individual States, the Federal Government making no effort directly to control the business. The overthrow of the second Bank of the United States was followed, as was the liquidation of the first, by the organization of a large number of State banks. The lack of adequate and uniform public regulation permitted almost universal fraud and abuse, and the banking business of the country during these

[1]White, *Money and Banking* (4th ed.), Book III, chap. viii.

years was in an almost continual state of disorder. As the chief operation of banks consisted in the emission of currency intended for general circulation, the country became flooded with a great variety of bank notes, many of which fell rapidly in value. Many States, instead of attempting to check fraudulent banking operations, remained passive, and some even enacted measures intended to protect unstable banking institutions in their reckless practices. Notes of most banks were quoted at a certain discount in different sections of the country; merchants were compelled to refer to "Bank-Note Reporters" to determine the value of the currency tendered by their customers; and to complicate the situation, counterfeits of every description were put in circulation. Bank failures were of course common occurrences, and the losses suffered by the people totaled millions of dollars.

The States of the South and West were the worst offenders in the matter of failing to regulate banking, though there were some notably sound banks in both these sections, the most conspicuous examples being the State Bank of Indiana, the State Bank of Ohio, and the Bank of Virginia. The banks of Louisiana, organized according to the provisions of the banking law of that State enacted in 1842, were also sound. The banking system of the New England States afforded an example of safe banking which contrasted strongly with the prevailing systems in other parts of the country. The Suffolk Bank of Boston, aided by the legislature of Massachusetts, established the New England system. This bank accepted at par the notes of any solvent New England bank which would provide funds for their redemption and also keep a permanent deposit at the Suffolk bank, the interest on which would provide compensation for its trouble. Banks in all parts of New England entered the system. When the legislature of Massachusetts passed a law forbidding banks to pay out any notes but their own, the Suffolk was virtually constituted a clearing-house for all the banks of that State and through the voluntary action of the banks in other New England States it occupied a similar position for them. The system was highly advantageous to New England, and the credit of the banks under the system was so good that their notes found ready acceptance throughout the entire country. In New York the famous safety-fund system was instituted in 1829, but about the time that the system was developed to a point of greatest possible efficiency it was abolished. Under the free banking system established in 1838 there was a renewal of unsound banking, but public opinion and effective regulation had almost eliminated reckless methods by the time of the outbreak of the Civil War. In Pennsylvania there was a large number of disastrous bank failures during this period of unregulated State banks. This State repeatedly enacted laws declaring that all banks suspending specie payment should forfeit their charters, but whenever general suspension occurred the legislature promptly passed measures relieving the offending institutions from being subjected to the penalty.

The national banking act was passed during the Civil War. The purposes of this measure were to bring banking under the supervision of the Federal Government, to regulate the currency, and to provide a market for government bonds. In 1865, by imposing an annual tax of 10 per cent on the notes of State banks, Congress gave to the national banks a monopoly of issuing notes for general circulation. The law providing for the organization of national banks laid down a system for their regulation and inspection by officials of the Federal Government. The adoption of the new system produced some beneficial effects. Its most notable service, in view of the condition of banking prior to the time the national banking act was passed, was that it provided a bank-note circulation of uniform value. Notwithstanding the improvements brought about, the banking and currency system of the country was still burdened with many defects. The extreme rigidity of the bond-secured currency and the lack of cohesiveness and cooperation among the banks in times of strained financial conditions were the principal disadvantages with which the banking business was forced to combat, and these defects all tended to hinder the commercial progress of the country.

The great commercial and financial crises which visited the country during the nineteenth century were in part the result of the conditions of banking. In 1814 and again in 1818 the injudicious issue by State banks of a large volume of notes, for the redemption of which there was no specie available, coupled with a sudden attack on these issues by specie-paying banks, was largely responsible for the misery into which the nation was plunged. In 1837 not only was there an absence of an adequate cash reserve against the large volume of bank notes in circulation, but the loans of many of the banks had been made to transportation and industrial companies whose enterprises were foredoomed to failure. The stocks representing a large part of the assets of the banks were utterly worthless, and the resulting failures were exceedingly disastrous. The panic of 1857 was a true financial panic. There was a sudden loss of confidence, and the supply of specie again proving inadequate, many banks were forced to suspend payment. This occasion, however, was not marked by the disaster that was witnessed during the years immediately after 1837. Business had been good and for the most part conservatively managed; the securities held by banks were those of solvent and prosperous organizations, and consequently the country quickly recovered. The panic of 1873 was unfortunately a repetition of that of 1837. Heavy investment in railroads that were built long in advance of the need for them was the chief fault of great banks, the failure of which precipitated the catastrophe. Again there was a lack of assets to offset the heavy liabilities of the failing concerns and the depression was protracted and severe. The crisis of 1893–95 was due less to unsound banking than to the purchase and coinage of silver under the Acts of 1878 and 1890, though

the undue extension of credit to speculative business enterprises and the inherent weaknesses in the banking system of the country were again important causes of the severe depression.

By the close of the nineteenth century the banking business of the United States had grown to very large proportions. In 1900 there were 12,975 banking institutions in the country, exclusive of savings banks, which numbered 1,002. The national banks, of which there were 3,732, possessed resources amounting to $4,944,165,000. The Comptroller of the Currency received reports during the year from 6,650 State, incorporated, and private banks, the resources of which amounted to $5,841,658,000, making the total resources of the 10,382 banks which reported $10,785,823,000. The resources of the savings banks were $2,624,833,000, and 290 loan and trust companies reported resources valued at $1,330,160,000. The great commercial importance of the banking business was indicated by the total amount of bank clearings for the year, which reached a sum of more than $84,500,000,000.

One important service of the banking business to commerce has already been referred to. The bank is the agency employed in the settlement of accounts between buyers and sellers. The convenience of banking to the business world and the speed, certainty, and facility which it gives to the operations of trade have made it one of the most effective and useful modern business institutions. In addition to being agents for the completion of commercial transactions of ordinary character, banks also perform an important service in acting as a reservoir for the collection and utilization of the unused capital of a community. The large funds deposited with banks are always available for loans to mercantile and industrial concerns, and thus they may constantly be employed in the production of additional wealth. As Levi P. Morton justly says: "To national life the banking system is as the arterial system to animal life. Through it circulates the vitalizing current which sustains the brain of business and statecraft and strengthens the arm of labor." As custodians of the resources of a community bankers are placed in a position of extreme responsibility. Special institutions, the credit and commercial agencies, have been developed, the function of which is to determine, after careful investigation, the strength of the credit of business firms, and the information supplied by these agencies assists bankers in deciding whether loans can be made with safety to the individuals who apply for them.

DEVELOPMENT OF CORPORATIONS.

In turning finally to a consideration of business organization as a whole within the United States, without regard to any distinct kind of enterprise, it may be said that there was one institution which held a position of commanding importance in the economic and commercial development of the nation during the nineteenth century. This institution was the private business corporation. In the early period

of the history of the country the leading industrial activities could easily be carried on by individual business men or by partnerships, but as population spread and the natural resources of the country became available for exploitation, it quickly became apparent that the older types of business structures could not command a supply of capital sufficient to carry out the large projects in the fields of transportation, manufacturing, and banking necessary to a proper utilization of the economic opportunities which the country afforded. The corporation was a device in every way suited to the needs of the situation. It afforded a means of concentrating the capital of a large number of persons into a single enterprise without subjecting the contributors to a risk greater than the amount of their investment, or requiring their personal attention to the management of the business, and the other advantages of corporate organization, such as the continuity of existence and the easy transferability of ownership, were additional features that favored its extensive use.

At the time of the formation of the Union there were few private corporations in the United States. Within a few years, however, the number began to grow rapidly, the first marked increase coming shortly after 1790, with the organization of a large number of turnpike companies in the Eastern States. At first, transportation and banking offered the best fields for corporate activity; but manufacturing soon afforded abundant opportunity for general investment, and the corporation began to displace the individual and the partnership in this branch of industrial activity. Early corporations were chartered by special legislative acts, but, both because of the corrupt practices that arose in connection with attempts to secure the enactment of special legislation and because of the need for a more comprehensive and uniform system of dealing with the questions affecting the organization and control of chartered companies, most of the States passed general laws regarding their formation and management. Under the liberal policies of the State governments and with the growth of population, wealth, and commerce the corporation rapidly assumed a position of dominance in all industrial and financial enterprises. Most of the transportation, banking, insurance, manufacturing, and mining interests of the country passed under the control of corporations before 1850, and after that year, as the need for larger and larger amounts of capital arose and as the advantages of large-scale production and concentration of industry became more apparent, there was an even more rapid growth in their number and a greater increase in their wealth and dominating influence. In 1900 practically all of the 192,000 miles of railroad in the United States were owned and operated by railway corporations, of which the number was 2,023; there were 40,743 corporations engaged in manufacturing, and the value of their output comprised two-thirds of the total value of all product of manufactures; of the products of mines and quarries more than 86 per cent was produced by

incorporated companies; and practically all the banking and insurance business of the country was under corporate ownership. An increasing proportion of the retail mercantile business was assuming the corporate form of organization, and even in agriculture, especially in the Western States, where projects for extensive irrigation of arid lands called for large outlays of capital, the corporation was assuming a position of no little importance.

The chief advantage of the corporation lay in the fact that it made possible the accumulation of a large amount of capital to be devoted to a single venture. To move a great inert mass requires a powerful lever. The conquest of a continent was a problem too great for individual effort; it took the associated effort of many individuals to surmount the difficulties which the situation presented, and the corporation made possible the union for a common purpose of an unlimited number of individuals. Furthermore, the placing of a tremendous amount of capital under the control of a few persons brought to the front a large number of men of great foresight and capacity, the "captains" of industry and finance, to whose genius for management and organization of productive forces was partly due the spectacular rise of the United States to a place of foremost rank among the industrial nations of the world. The powerful agencies which the corporation set in motion made economic development rapid, and, on the whole, steady and uniform.

The corporation was not, however, without evil. Though to its influence may be ascribed in a large measure the rapidity of material progress, it was at the same time often used as a means for the perpetration of dishonest and degrading acts which brought a train of uneconomic and wasteful consequences. Adventurous speculators formed companies to carry out impracticable or impossible schemes, and brought ruin to themselves and to many other individuals of a speculative turn of mind who were induced to participate in their unwise ventures; and many corporations were launched for no other purpose than the creation of a mass of worthless securities to be sold by the promoters to easily deceived and unwary investors. Corporations organized for legitimate ends were also often used as a means of swindling stockholders by unscrupulous directors who absorbed the profits by leasing valuable privileges to themselves or by other forms of mismanagement. The purchase at low cost of valuable franchises was often accomplished by bribery and corruption of public officials, and undue and improper influence was often used to secure the passage of legislation desired by corporate interests, the Federal Government itself not being able at all times to avoid the taint of suspicion. The peculiar legal status of the corporation as a person in contemplation of law seemed to cause officials to feel that the acts of the corporation were not their own acts and to lead to a lower standard of business morality and to the condonement by corporation officials of unethical practices,

which would not have been countenanced under the previous forms of business organization.

In addition to permitting the development of evils such as those mentioned above, the corporation was the instrument for the development of what was probably the greatest economic problem of the latter part of the nineteenth century—the problem of combination and monopoly. It was inevitable that corporations engaged in the leading industries in the United States, where there existed such great opportunities for prosperous growth, should eventually become enormously wealthy and powerful, and it was equally inevitable that in time, as production expanded, great corporations which were rivals in the same branch of industry should engage in a competitive struggle for the possession of markets which all could serve. When rich and powerful organizations with tremendous resources at their command met in competition the resulting conflict was disastrous. Defeat usually meant ruin, and victory was often purchased at the same cost. Out of the frequent disasters resulting from rate wars between 1860 and 1880 railroad managers learned that continued struggle usually brought only destruction, and that the path of safety lay in the elimination of competition. For some years the managers of rival roads attempted to avoid competition by means of rate and traffic agreements, but when the enactment of State and Federal laws to enforce competition rendered it impracticable to make such agreements, extensive combination and consolidation were resorted to as the best available means of securing cooperative action. In a general way the United States was divided up among a number of powerful interests, and the perfection of various devices for securing harmonious relations among these interests insured the absence of future wars of destruction.

Though the tendency toward the amalgamation of rival interests in the fields of manufacturing and mining became almost as strong as in the field of railway transportation, competition among rival manufacturers was not so inherently destructive as was competition among railroads, and manufacturers began later than did the railroads to form large combinations. The earlier industrial combinations may be said in general to have been due chiefly to a desire for monopoly profits on the part of those by whom the combinations were effected. Sometimes the union of rival interests would come about because of pressure brought to bear on smaller concerns by a powerful corporation which, because of economies of large-scale production and preferential advantages secured from railroads, was able to give its weaker competitors a choice between absorption or destruction. The Standard Oil Trust was an example of this type of combination. Other combinations resulted merely because rival producers became convinced that greater profits could be secured through cooperation than through competition, and they pooled their interests accordingly. Public protest against such attempts at monopolization resulted in a large amount of prohibitive legislation directed against trusts and pools. The dissolution

of such agreements was promptly followed, however, by the adoption of much more effective methods of combination—either the complete merging of the competing concerns into a single one, or the formation of a holding company, usually a gigantic corporation which took over the stock of the various combining companies in exchange for the stock of the new organization. The combinations were usually accompanied by large issues of watered stock which represented a capitalization of the expectations of the promoters of the new companies. The success of many of the earlier combinations and the advance in the market value of their watered stock revealed the fact that combination *in and of itself* might prove an enormous source of profit, and it was this idea as well as the desire to eliminate competition that furnished the incentive for many of the later industrial combinations. Speculative promoters took quick advantage of the trend towards combination and they created for themselves and for others paper fortunes of great dimensions, many of which were transmuted into real fortunes during the rising tide of prosperity after 1896. The many combinations among most of the companies out of which was eventually formed the United States Steel Corporation, and the formation of that company itself, furnished conspicuous examples of excessive capitalization.

Too often the monopolistic combinations took advantage of their position to raise prices and exact heavy tribute from the consuming public. Attempted competition by outsiders was throttled by local price-cutting, by factors' agreements, or by other unfair devices. Unwilling to endure or tolerate some of the unfair practices, many States passed measures intended to prevent the formation of monopolistic combinations. However, the indulgent policy of a few States toward all private corporations virtually negatived the efforts of the others. In 1890 the Federal Government, acting on its constitutional authority to regulate interstate trade, passed a law declaring illegal "every contract, combination in the form of a trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States," and providing punishment for "every person who shall monopolize or attempt to monopolize . . . any part of the trade or commerce among the several States." The interpretation given to this statute by the Supreme Court in its decision in the E. C. Knight (Sugar Trust) case in 1895 seemed to indicate that the law would be of little effect, but in later decisions, in the cases of the Trans-Missouri Freight Association (1897), the Joint Traffic Association (1898), and the Addyston Pipe and Steel Company (1899), the court seemingly modified its previous position and clearly showed that the statute could be used to put a stop to monopolistic methods in controlling railroad rates and to bring about a dissolution of a combination through which a monopoly of interstate commerce in any commodity was effected. With this direct application of Federal control there was foretold another era of modification in the forms and methods of business organization and management.

CHAPTER XVIII.

COMMERCIAL CHANGES OF THE OPENING YEARS OF THE TWENTIETH CENTURY.

In the preceding chapters there has been given a brief description of the development of the United States during the nineteenth century from an economic position of comparative insignificance to a place of importance among the rich and powerful nations of the world. Rapid as was the material progress of the country during the nineteenth century, the opening of the twentieth century held promise for growth yet more rapid. The number of people in the country was increasing and there was room for millions more; the products of agriculture were enlarging steadily; the natural resources were being drawn upon each year for a larger and larger quantity of fuel and raw materials; manufacturing was growing at an unprecedented rate; new industries were rising in response to new wants and needs; new sources of power were being utilized; new discoveries, new inventions, and new methods were multiplying the productivity of all industry; the entire machinery of production and distribution was gaining in efficiency and power.

As civilization advances each century builds upon a heritage from centuries gone before. The achievement of the nineteenth century was the foundation upon which the century to come was to build. The opening of the new century gave promise that the progress of the United States was to continue not only through using the fruits of former success, but also through the uprooting of old evils and the redemption of old faults. As was pointed out in another place, though the efforts to so~~lve the great~~ economic problems of the latter part of the nineteenth century had not met with a large measure of success before the century closed, there were nevertheless distinct indications that the immediate future would witness more determined efforts to secure a readjustment of the unsatisfactory conditions in the industrial system. The fruits of these efforts, together with the steady improvement in general material welfare, constitute the significant features of the economic history of the United States during the opening years of the twentieth century.

That the promise which the beginning of the century seemed to have for a continuance of material progress was not false was amply demonstrated by the achievements of the first decade of the new century.

A comparison of the statistics of the census of 1910 with the statistics collected at all previous census years shows that the first decade of the twentieth century witnessed a greater increase in the population and wealth of the United States than any previous ten years. In the following paragraphs will be given a brief survey of the material growth of the nation from 1900 to 1910, to be followed with a statement concerning the development of internal trade during that period; and the chapter will close with a short discussion of the important changes in government policies affecting industry and trade.

GROWTH OF POPULATION AND INDUSTRY FROM 1900 TO 1910.

The total population of the continental portion of the United States increased from 75,994,575 in 1900 to 91,972,266 in 1910.[1] Again the Western States showed a greater percentage of increase than the other States, and the center of population shifted a few miles farther westward. Almost 9,000,000 foreign immigrants entered the country during the first ten years of the century, the number of arrivals for each year after 1901 ranging from 648,000 to 1,285,000.[2] The valuation of the real and personal property of the people of the United States in 1904 showed the total physical wealth of the country, which in 1900 had been $88,500,000,000, to be $107,000,000,000 or $1,318 per capita.[3] By 1910 the amount had probably increased to more than $180,000,000,000.

TABLE 35.—*Production and value of specified crops in the United States, 1899 and 1909.*[1]

Crops.	Production.		Value.	
	1899	1909	1899	1909
All crops, value	. . . .	. . . .	$2,998,704,000	$5,487,161,000
All cereals, bush	4,438,857,000	4,512,564,000	1,482,603,000	2,665,539,000
Corn, bush	2,666,324,000	2,552,189,000	828,192,000	1,438,553,000
Wheat, bush	658,534,000	683,379,000	369,945,000	657,656,000
Oats, bush	943,389,000	1,007,142,000	217,098,000	414,697,000
Hay and forage, tons	79,251,000	97,453,000	484,254,000	824,004,000
Tobacco, lbs	868,112,000	1,055,764,000	56,987,000	104,302,000
Cotton, bales	9,534,000	10,649,000	323,758,000	703,619,000
Cotton seed, tons	4,767,000	5,324,000	46,950,000	121,076,000
Potatoes, bush	273,318,000	389,194,000	98,380,000	166,423,000
Other vegetables, bush	. . . .	. . . .	140,152,000	251,686,000
Orchard fruits, bush	212,365,000	216,083,000	83,750,000	140,867,000

[1]*Abstract, U. S. Census 1910*, p. 360.

The statistics for agriculture for 1910 showed that while there had been some increase in the output of farm products since 1900, the percentage of increase was not so large as the percentage of increase

[1]*Abstract, U. S. Census 1910*, p. 21.
[2]*Statistical Abstract of United States, 1912*, p. 789. [3]*Ibid.*, 738.

of the population. The number of farms increased between 1900 and 1910 from 5,737,372 to 6,361,502, and the farm acreage from 838,591,774 to 878,798,325. The value of farm property, including land, buildings, implements and machinery, and domestic animals doubled in the ten years, advancing from $20,000,000,000 to $40,000,000,000.[1] The increase in the production of the most important crops is shown in table 35. The increase in the value of the various products, which because of rising prices was much greater proportionately than the increase in the actual quantity of articles produced, is also shown.

In the number of domestic animals in the United States there was an actual decrease between 1900 and 1910 in every important class except horses and mules. In the case of live-stock, however, the change in prices caused its total money value to be much greater in the latter than in the former year, notwithstanding the reduction in the number of animals. The statistics for the principal classes of this stock for the last two census years are given in table 36.[2]

TABLE 36.—*Statistics of live-stock in the United States, 1900 and 1910.*

	Number.		Value.[1]	
	1900	1910	1900	1910
All domestic animals..........	....	....	$2,979,197,000	$4,760,060,000
Cattle......................	69,335,000	63,682,000	1,475,204,000	1,499,523,000
Horses, mules, asses, and burros	24,752,000	27,618,000	1,098,546,000	2,622,180,000
Swine......................	64,686,000	59,473,000	231,978,000	399,338,000
Sheep......................	61,735,000	52,838,000	170,203,000	232,841,000

[1]Value given only for domestic animals on farms.

The relative decrease in the output of agricultural products was reflected in a falling-off of the exportation of foodstuffs. The wheat crop of the United States in 1910 was larger than that of any previous year but one (1902), but the exports of wheat and flour that year were less than they had been for more than twenty-five years, except in 1905, when there was a great shortage in the crop. The exports of wheat in 1911 were even less than in 1910.[3] The steady decrease in the production of food products as compared with the amount of domestic consumption has led some persons to assert that not many years will have passed before the United States becomes a grain-importing instead of a grain-exporting country. However, the United States has not yet neared the limit of its agricultural resources. Even if there were not a very large area of untilled land available for future cultivation, the possibilities lying in more scientific and more economical methods of cultivating the soil now in use, if taken advantage of,

[1]*Abstract, U. S. Census 1910*, p. 265. [2]*Ibid.*, 311, 342.
[3]*Statistical Abstract of United States, 1912*, p. 591.

will postpone for many decades the time when there will be no annual supplies of grain, live-stock, and provisions for exportation.

If the expansion in agricultural industries did not keep up with the increase of population between 1900 and 1910, the relative loss was made up for in a way by the amazing development that took place in manufacturing. Twice since 1900 a census of manufactures has been taken. On both occasions statistics were collected only for factory industries, the neighborhood, hand, and building industries being disregarded. Table 37 shows a record of the progress in manufacturing from 1899 to 1909. All the statistics refer only to factory production.[1]

TABLE 37.—*Factory manufactures in the United States, 1899, 1904, 1909.*

	1899	1904	Per cent of increase 1899–1904.	1909	Per cent of increase 1904–1909.	Per cent of increase 1899–1909.
Factories	207,514	216,180	4.2	268,491	24.2	29.4
Capital (thousands of dollars)	8,975,256	12,675,581	41.2	18,428,270	45.4	105.3
Wage-earners (average number)	4,712,763	5,468,383	16.0	6,615,046	21.0	40.4
Wages (thousands of dollars)	2,008,361	2,610,445	30.0	3,427,038	31.3	70.6
Value of products (thousands of dollars)	11,406,927	14,793,903	29.7	20,672,052	39.7	81.2

The five leading manufacturing industries, according to the value of their products, were the same in 1909 as in 1899, the only change being a reversal of the order of the first two. In 1909 these industries were in order: meat packing; foundry and machine-shop products; lumber and timber products; iron and steel, steel works, and rolling mills; and flour-mill and grist-mill products. The first three of these each had an output of more than $1,000,000,000 and the other two each more than $880,000,000 for the year, and 38 other manufacturing industries contributed products ranging in value from $100,000,000 to $735,000,000. Almost three-fourths of the total manufactures were produced in the section of the country east of the Mississippi River and north of the Ohio River and the southern boundary of Pennsylvania. New York, Pennsylvania, Illinois, Massachusetts, and Ohio maintained their places as the leading manufacturing States in the order named, the five together producing more than one-half of the total manufactured product. The city of New York again produced approximately one-tenth of the total product, and Chicago and Philadelphia together almost as much as New York.

The tremendous increase in manufacturing gave the United States a large surplus of wares to dispose of abroad, and the opening years of the twentieth century were signalized by a rapid expansion of the annual

[1] *Abstract, U. S. Census 1910*, p. 439.

exports of manufactured goods. In 1899 manufactures ready for consumption and manufactures for further use in manufacture made up 30 per cent of the total exports of the United States and in 1912 they comprised 47 per cent of the total. One of the important features of the foreign policy of the United States during the greater part of the intervening years was the "dollar diplomacy," the frankly avowed purpose of which was to promote the foreign trade of the United States by seeking markets for its products. Manufacturing interests especially were indebted to the State Department for its efforts to find customers for the products of their rapidly expanding industries.

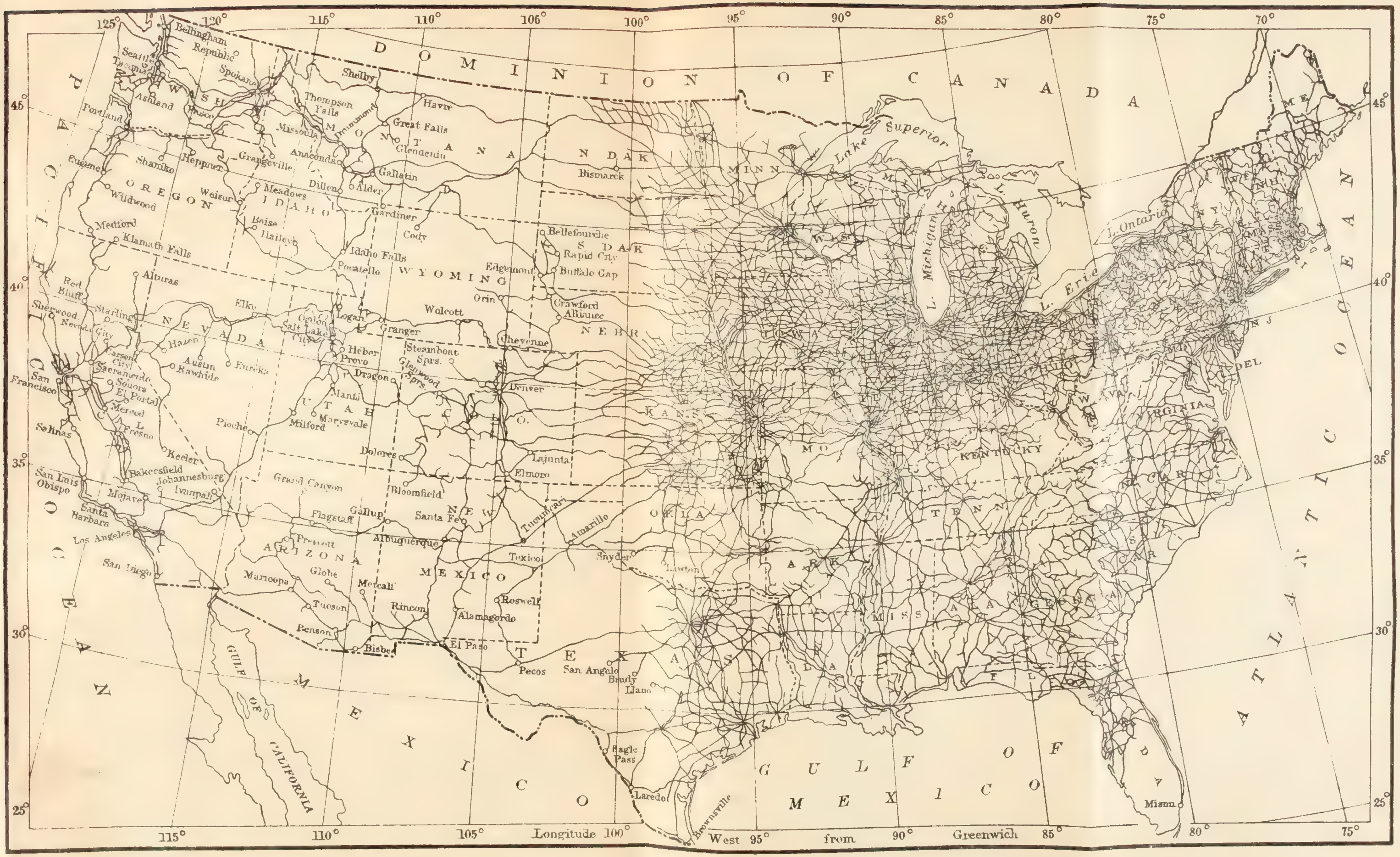
As would be expected from the remarkable increase of manufacturing, the mining industries of the United States had a period of great activity during the first part of the twentieth century. There was hardly a single mineral product the output of which did not show a substantial increase. The production of coal almost doubled between 1900 and 1911, increasing from 240,000,000 to 443,000,000 long tons.[1] The production of iron ore in 1900 was 28,000,000 long tons, and in 1910 it was 57,000,000 long tons. The next year showed some reduction, the total output being 41,000,000 tons.[2] The output of copper showed an increase from 270,000 long tons in 1900 to 490,000 long tons in 1911,[1] and the output of crude petroleum advanced during the same time from 54,000,000 barrels to 220,000,000 barrels.[3] The total value of the products of the mines, quarries, and the wells of the United States in 1909 amounted to $1,175,475,000, an increase of 52 per cent over the value of the output in 1902.[4]

The forests of the United States contributed an enormous supply of timber during this period. The lumber production of the country, which in 1900 was 35,000,000,000 feet, reached 45,000,000,000 feet in 1909. During the next two years there was a considerable decrease, the production in 1911 being 37,000,000,000 feet.[5] The yellow-pine belt of the South furnished a far larger portion of the timber cut during these years than any other section. Washington, however, became the leading lumber State near the close of the period.

DEVELOPMENT OF TRANSPORTATION AND INTERNAL TRADE.

Along with the agricultural and industrial expansion since 1900 there has been constant development in the inland transportation system of the United States. The mileage of the railroad net, though showing no spectacular increases such as those witnessed during the great periods of railroad building just after the Civil War and after the depression caused by the panic of 1873, has nevertheless grown steadily, an average of about 5,000 miles of line being added to the entire system each year since 1900. The total number of miles of railroad line

[1] *Statistical Abstract of United States, 1912*, p. 773. [2] *Ibid.*, 774. [3] *Ibid.*, 247.
[4] *Abstract, U. S. Census 1910*, p. 557. [5] *Statistical Abstract of United States, 1912*, p. 191.



MAP OF THE RAILROADS IN THE UNITED STATES IN 1910.

(From Appleton's Cyclopedia of American Government, Vol. III, with additions by authors.)

operated in the continental portion of the United States in 1911 was about 253,000.

A notable change in transportation since 1900 has been the growth in the number of electric railways. Electric traction was first adopted for city street-railways in 1888, and near the end of the nineteenth century a beginning was made in the construction of electric railway lines for service between comparatively distant points. Since 1900 the development of interurban electric lines has been very rapid. In southern New England all the principal cities are connected with one another by electric railroads, and the total electric-railroad mileage, including both interurban and city street-railway lines, in Massachusetts, Connecticut, and Rhode Island is now greater than the mileage of the steam railroads. In Ohio, Indiana, Michigan, and Illinois the interurban electric railway has also reached a high development, there being a large network of lines spreading over the greater portion of these States. In New York, Pennsylvania, New Jersey, and many other States where there is a considerable number of urban communities grouped comparatively close to one another the electric interurban railway service is being steadily extended. The possibility of variation of the units of service according to the amount of traffic and the greater economy in construction and operation enables the electric railway to give a service that is both more frequent and cheaper than the service offered by steam roads. Though constructed mainly for the purpose of handling passenger traffic, the electric railways have also developed a freight service which is rapidly growing in volume. The handling of parcels and light package freight in and out of large cities, the transportation of farm products from rural districts to city markets, and performing the function of branch lines or "feeders" to steam roads have thus far comprised the most important part of the trolley freight service; but as the electric systems extend their lines they are entering the field as competitors with steam roads for all kinds of freight business. The great convenience of the interurban lines has had a strong influence on the development of communities where they have been built. Travel has been encouraged, rural districts have been brought into close touch with the cultural advantages to be found in cities, and there has been a distinct increase in commercial intercourse between city and country.

The great success that has attended the use of electricity as the motive-power for land transportation has led to some question as to whether the use of the steam locomotive might not eventually be entirely abandoned. Though the question of general electrification is not of pressing importance at the present time, it is not impossible that at some time during the twentieth century, as the fuel resources of the world become more scarce, it will be necessary to depend upon electricity generated by water-power to perform much of the work of

transportation now done by steam. Electricity has already been adopted to some extent by steam roads for particular branches of their service. In tunnels and subways and in terminal and suburban service the smoke, gas, and noise of the steam-engine render it highly objectionable, and in many cases it is being replaced by the electric locomotive. All traffic in the railroad tunnels under New York is hauled by electric engines. The use of steam locomotives in the city of New York and its suburbs has been practically eliminated, and the electrification of railroad lines in Chicago, Philadelphia, and several other large cities is either projected or already under way. The hauling of both freight and passenger traffic over heavy mountain grades is another kind of service for which the electric locomotive is well adapted both because of its mechanical superiority over the steam locomotive in this kind of work and because of the possibility of utilizing the water-power generally obtainable in mountainous districts. In addition to these special types of service some steam railways have electrified sections of track in certain densely populated districts for the purpose of giving more frequent local passenger service. The through freight and passenger traffic in such sections is still hauled by steam locomotives.

On the inland waterways of the United States, with the exception of the Great Lakes, traffic continued after 1900 to show a steady diminution in volume. There has arisen in recent years, however, a steady and insistent demand for a rehabilitation of inland water transportation in the United States, and numerous movements have been started in favor of ambitious projects of canal construction and river improvement. The people of New York in 1903 voted to expend $101,000,000 in building a new barge canal across their State to take the place of the old Erie Canal. The new waterway is to be much wider and deeper than its famous predecessor, and it is expected that it will be used by a large tonnage of traffic. The National Government is proceeding steadily with the canalization of the Ohio River, and in the course of a few years that stream will have a minimum depth of 9 feet all the year round from Pittsburgh to its mouth. The Mississippi, the Columbia, and some other rivers are also being improved. The two movements for waterway improvement that have commanded most attention are those looking to the establishment of a canal and river route of some kind from Lake Michigan to the Gulf of Mexico and to the construction of a great chain of inland waterways along the Atlantic coast to connect the numerous rivers and bays in that section and give a completely sheltered waterway all the way from New England to Florida. As was indicated before, the commerce on the Great Lakes has continued to thrive. In 1910 the traffic on this great waterway amounted to 85,000,000 short tons.

The general character of the internal commerce of the United States during the opening decade of the twentieth century showed but little

change, the principal features of the geographical distribution of industry prevailing at the close of the nineteenth century being in a general way maintained. However, with the increased production of wealth and the growth of population there has been a great expansion in the volume of internal trade. The growth of the total freight traffic received by railways from 1,082,000,000 tons in 1900 to 1,880,000,000 tons in 1910 is the best index of the growth of the internal movement of commodities. An analysis of the railway traffic of 1910 and a description of the general character of the internal commerce of the United States at the present time has already been given.[1]

PUBLIC REGULATION OF TRANSPORTATION AND COMMERCE.

For the development of the public regulation of transportation and commerce the twentieth century opened with a promise of progress, and this promise, too, has been fulfilled.

In the regulation of railroads the United States has made great advances since 1900. The first step taken, the Elkins act of 1903, was due as much to the solicitation of the railroads as to that of their patrons.

Before 1900, by means of numerous consolidations, combinations, and formal or informal rate agreements, the railroad corporations had succeeded in almost entirely eliminating active competition, and they had furthermore brought their mutual relations to such a degree of harmony that they were able to begin concerted action to raise freight rates everywhere throughout the country. Feeling it no longer necessary to give rebates to large shippers for the purpose of securing competitive traffic, and wishing to avoid as much as possible the chance of secret violation of a mere voluntary compact to abolish giving rebates and abstain from cutting rates, the railroad interests, aided by many shippers who were desirous of securing an end of personal discrimination, secured in 1903 the passage of the Elkins law, the most important provisions of which were that it would be illegal for a railroad company to charge any other than the published rate on traffic hauled, that the recipient as well as the giver of rebates should be subject to punishment, and that a railroad corporation as well as its agent could be punished for violation of the law. Though of great advantage to shippers, this law was of even greater benefit to the railroads. The law of 1887 had failed to put a stop to rebating and the practice often cost some railroads many millions of dollars a year. The Elkins act prevented the danger of such large losses in the future. With the volume of traffic constantly expanding, and with freight rates being increased, the railroads entered on an era of great prosperity.

But though personal discriminations were checked by the Elkins law, discriminations between places and commodities—discriminations from which the public and not the railroad suffered injury—were not

[1]Chap. xii, p. 200.

affected. The public decided that if personal discriminations could be removed, other evils could be removed also. The Interstate Commerce Commission was given authority to fix reasonable maximum rates on interstate traffic in 1906 by the passage of the Hepburn amendment to the interstate commerce act of 1887. The act of 1906 also subjected express, sleeping-car, refrigerator-car, and pipe-line companies doing interstate business to the regulations of the interstate commerce law, made stricter provisions as to granting passes, gave the Commission control over joint rates, provided for expeditious judicial action on appeals from the orders of the Commission, authorized the Commission to prescribe a uniform accounting system for all carriers subject to the interstate commerce act, and required carriers to make such special statistical reports as the Commission might call for. This law was a long step forward in railroad regulation and it marked a great advance in the solution of the railroad problem. Yet another forward step was taken in 1910 by the passage of the Mann-Elkins law, which granted to the Interstate Commerce Commission the important power to suspend proposed changes in rates on interstate traffic pending an examination into their reasonableness; it strengthened the "long and short haul clause" of the original interstate commerce act by removing the words that robbed it of its vitality; and it created a special Commerce Court to be the court of appeal from the orders of the Interstate Commerce Commission.

There has now been established adequate machinery to prevent most of the abuses in the railroad service. The Interstate Commerce Commission, after existing for a score of years with but limited power, has been transformed into a strong administrative body with functions of great importance. It was thought that the creation of the Commerce Court would greatly facilitate and expedite the details of railroad regulation, but unfortunately the Commerce Court, though in theory a thoroughly desirable addition to the judicial system, proved in practice, as first organized, to be a disappointment. Several of its early decisions, some of which have subsequently been reversed by the Supreme Court, were given in favor of the railroads. Because of this and because the new court assumed jurisdiction over some cases and matters which the Supreme Court held the Commerce Court was without authority to determine, the court became unpopular with the public. The impeachment and removal from office of one of its judges because of improper relations with certain railroad corporations served to accentuate the sentiment against the court. In 1913 it was abolished and the decisions of the Interstate Commerce Commission again became appealable to the other Federal courts.

One great problem of railroad regulation has been the conflict between State and Federal authority. Many States have adopted comprehensive systems for the regulation of railroad rates and services in

regard to traffic wholly within their borders and in some cases the State regulations have had a direct bearing on conditions of interstate trade, which is subject to regulation solely by the Federal Government. In some matters pertaining to the operation of railroads it has been conceded that the Interstate Commerce Commission has the authority to regulate conditions within individual States, but as regards the rate-making power there was for a long time much conflict of opinion. In the Minnesota rate case,[1] decided in June 1913, the Supreme Court held that the State governments possess the right to fix rates on intrastate traffic as long as the rates established are not so low as to be confiscatory, but at the same time the court stated that the power of Congress to regulate interstate trade includes the power also to regulate that part of intrastate trade the regulation of which affects in any way the conduct of interstate business. Consequently the court,[2] in June 1914, sustained a decision of the Interstate Commerce Commission which virtually annulled an order of the Texas Railroad Commission fixing certain Texas rates at a point which brought about a discrimination against jobbers shipping goods from Louisiana into Texas at rates which in themselves were not unreasonable.

An important innovation in the transportation service of the country has been made recently by the National Government, which amounts to a regulation of a part of the transportation system and which at the same time seems likely to have a great influence in promoting commercial intercourse within the country. This was the inauguration on January 1, 1913, of a domestic parcel-post system. The usefulness of the parcel post has been demonstrated in nearly all European countries, and the popularity it has attained in the United States during the brief interval that has elapsed since its authorization indicates that it is bringing about a large addition to the volume of domestic trade. Not only is the new service efficient and, except for long distances, somewhat cheaper than that offered by the express companies, but it also covers a much greater range of territory.

In the regulation of corporations other than transportation companies and in the control of monopolistic combinations there has also been considerable advance since 1900. In 1903 the Government took steps to secure a fund of accurate information concerning the methods and work of the great business organizations of the country, by authorizing the establishment of a special Bureau of Corporations, the duty of which was to make searching investigations into the organization and management of any corporation engaged in commerce among the States. The Bureau has made several reports on various industries that are largely controlled by corporate combinations. A vigorous effort has been made by the Department of Justice of the National Government to enforce the provisions of the Sherman anti-trust law, and a number

[1] 230 U. S. 352. [2] 234 U. S. 342.

of prosecutions under this act have resulted in decrees by the Supreme Court ordering the dissolution of several large industrial combinations as well as of some consolidations of transportation companies. In 1911 the Standard Oil Company and the American Tobacco Company, two of the most notable of the greater combinations, were ordered to be dissolved. Suits against the United States Steel Corporation, the International Harvester Company, and several other combinations were started in 1911, 1912, and 1913. The mere dissolution of large combinations has failed to have much effect on the industrial situation, but the information which the prosecutions have brought to light and the wide publicity which the cases have given to the various aspects of the entire problem of monopoly and combination have been effective agencies for promoting a movement toward establishing a better system of regulation.

The tariff system of the United States led once more to a political controversy. The growing dissatisfaction with the Dingley tariff act led to an almost universal demand that it should be modified, and in the presidential campaign of 1908 both the leading political parties pledged themselves to tariff revision. The Republican party was successful in the election, but the tariff law enacted by Congress in 1909 was not satisfactory to the public, and for this and other reasons the elections of 1910 and 1912 resulted in victories for the Democratic party. The pledge for tariff reduction was carried out in the Underwood law, signed by the President October 3, 1913. Those who brought about the enactment of this act advocated the "competitive principle," the aim of the new tariff law being "to introduce in every line of industry a competitive basis providing for a substantial amount of importation, to the end that no concern shall be able to feel that it has a monopoly of the home market gained other than through the fact that it is able to furnish better goods at lower prices than others." The average level of duties was reduced from 40.12 per cent to 29.6 per cent, the greatest reduction being made in the schedules dealing with various textiles, manufactures of metal, and agricultural products.

A reform of the currency system was accomplished by the enactment of the federal reserve act, which was introduced during the special session of Congress called primarily for revising the tariff, passed early in the regular session, and approved by the President December 23, 1913. This measure is designed to correct the fundamental weaknesses in the present currency system of the United States. By creating a system of regional reserve banks through which bank reserve funds may be quickly mobilized in time of emergency, the law is intended to overcome the decentralization which had characterized the national banking system; and by providing for the issuance, when necessary, of an asset bank-note currency, as well as for a greater freedom in the use of deposit credit, through the authorization of bank

acceptances and the extension of rediscount privileges, the law is intended to give the currency the requisite degree of elasticity.

Another movement of great economic importance that has been started in the early years of the twentieth century is the conservation movement. Near the close of the nineteenth century the people of the United States began to awake to the fact that the natural resources of the country were disappearing at an alarming rate. The forests were being depleted and no provisions made for their replacement, many kinds of fish and game were nearing the point of extinction, some mineral resources were being consumed at a rate that foretold nearing exhaustion, and the agricultural soil was being wasted and its fertility lessened. It was not the mere disappearance of these resources that aroused the sentiment for conservation so much as the fact that their destruction was being accompanied by the most needless waste and extravagance. The results of the conservation movement have been to check waste, to call a halt on the appropriation of valuable public domain by private interests, and to create a widespread movement in favor of a more economical utilization of the resources yet existing.

Considered in their entirety, the important events in the history of the United States during the early years of the twentieth century seem to indicate a new epoch in the economic and political history of the nation. Material progress has continued, but it has been attended with a greater measure of forethought, and the change in the attitude of the people toward their problems indicates that progress in the future will be directed with more wisdom. However, it is not only in problems of purely domestic concern that the chief difficulties of the future will be found. The growth of wealth and population and the increased diversity of production have made the United States a leading factor in the industrial, commercial, and financial activities of the entire world. In its position as a world power, which has come with economic development and political expansion, the nation will meet duties and responsibilities of a new kind. International relations, both economic and political, will constitute a leading feature of the next period of American history.

PART THREE

THE COASTWISE TRADE

By T. W. VAN METRE

CHAPTER XIX.

THE COASTWISE TRADE OF THE ATLANTIC COAST, 1789–1860.[1]

The coastwise commerce of the United States has passed through a series of interesting changes. Of relatively small value during most of the colonial period, it gradually increased in volume as the population of the country grew and industry became diversified, until it came to be the most important branch of the commerce of the nation. Compared to the foreign and the internal trade the coastwise business attained the point of highest development during the decade preceding the Civil War. Since the war, though increasing in volume, it has suffered steadily from the competition of the railways and has failed to keep pace in its rate of growth with either foreign or internal commerce.

No statistics of the value of either branch of domestic commerce are available, but it is doubtful if, at the present time, the value of the coastwise trade, exclusive of harbor and purely local traffic, is as great as the value of the foreign commerce of the nation; and it is certain that its value is far less than that of the tremendous internal trade carried on by rail. In one respect the coastwise trade retains a position of extreme significance. Being restricted to vessels built and owned in the United States, it has for several years provided the country with a merchant marine at a time when the tonnage of the national shipping engaged in foreign trade has declined to a comparatively small volume. It has made possible the existence of the shipbuilding industry and has given the nation virtually its only "nursery of seamen." It is as much because of these features as for its importance as a factor in commercial exchanges that the coastwise trade retains a large degree of interest.

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[1]In addition to the references indicated, the writer of these chapters on the coastwise trade has consulted an unpublished history of the coastwise trade, written by Professor Thomas Conway, Jr., of the University of Pennsylvania.

An account of the development of the coastwise trade before 1789 is given in Chapter X. This chapter and the next will be devoted to a discussion of the coastwise trade of the Atlantic seaboard since 1789, and a third chapter will deal with the coastwise trade of the Pacific coast and the intercoastal trade.

LEGISLATION CONCERNING COASTWISE VESSELS.

By the provisions of the Constitution forbidding the individual States, without the consent of Congress, to levy export, import, and tonnage duties, the coastwise commerce of the United States was freed of the burdensome restrictions imposed upon it during the critical years from 1783 to 1789; and by the clause granting to Congress the power to regulate trade among the States and with foreign nations, the regulation of the coastwise trade was in effect vested entirely in the Federal Government. Acting under its authority to lay and collect taxes and duties, Congress passed, in July 1789, the first measure affecting the coastwise trade.[1] By this law, designed primarily for the purpose of raising revenue, all vessels built in the United States and owned by the citizens thereof, or vessels not built in the United States but belonging to the citizens thereof on May 29, 1789, and continuing in their possession, were required upon entry at any port of the country to pay a tonnage duty of 6 cents per ton; vessels built in the United States after the passage of the law and owned wholly or in part by foreigners paid a duty of 30 cents a ton; and all other vessels 50 cents a ton. It was provided, however, that vessels built and owned in the United States, while employed in the coastwise trade or fisheries, should not be obliged to pay tonnage duties more than once a year. All vessels not built and owned in the United States, when carrying products of the United States coastwise, should pay a duty of 50 cents a ton at each entry. The effect of this act was that, although foreign-owned and foreign-built vessels had a legal right to participate in the coastwise commerce of the United States, yet they were subjected to a discriminating tonnage tax that was virtually prohibitory.

On July 31, 1789, an act was passed establishing districts and ports for the collection of import and tonnage duties.[2] Massachusetts was divided into 20 districts, Virginia into 12, Maryland into 9, Georgia into 4, Connecticut, New Jersey, and South Carolina each into 3, New York into 2, and New Hampshire, Pennsylvania, and Delaware each constituted a single district. In each district certain regular ports of entry and delivery were designated. The entrance of North Carolina and Rhode Island into the Union made necessary the creation of additional customs districts in 1790, the former State being divided into 5 and the latter into 2; and at the same time the number of districts in New Jersey was increased from 3 to 4. In 1799 another readjust-

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[1] *U. S. Statutes at Large*, I, 27. [2] *Ibid.*, 29.

ment was made, the number of districts in Massachusetts and New Jersey each being increased by 2, the number in Pennsylvania, Maryland, Connecticut, and Georgia by 1, and the number in Virginia being reduced from 12 to 11.

The "Act for registering and clearing vessels, regulating the coastwise trade, and for other purposes," passed September 1789, was the first important law of the new government dealing with the regulation of navigation and commerce.[1] The first part of this law contained rules concerning the registering of vessels, and the second part dealt with the unregistered vessels which might be employed in the coastwise trade or fisheries. The act stipulated that every unregistered vessel of a burden of 20 tons and upward built and owned in the United States, or not built in the United States but on May 16, 1789, wholly owned and continuing thereafter to be owned by a citizen or citizens of the United States, in order to secure the privileges of ships or vessels belonging to the United States, should be "enrolled" with the collector of the customs of the district in which the owner or one of the owners of the vessel resided. The masters or owners of such enrolled vessels, as well as the owners of registered vessels, were entitled to receive a yearly license to trade between the different customs districts. Before the license could be secured, it was necessary that the tonnage duty on the vessel be paid and that a bond of $1,000 be given that the vessel would not be employed in any illicit trade during the time for which the license was granted. All vessels of 20 tons or more, not provided with a certificate of registry or enrollment, and a license, which were found trading between different districts, were to be subject to the same tonnage duties as foreign vessels. The master of a vessel of less than 20 tons and not less than 5 tons burden employed in trade between different customs districts was required to secure a trading license from the collector of the district to which the vessel belonged and to give bond for the sum of $200 that the vessel should not be employed in illicit trade. The license for such vessels exempted them from entering or clearing for a period of one year.

The master of a vessel of 20 tons or more, licensed to engage in the coastwise trade and carrying a cargo of foreign goods of more than $200 value, or rum or other ardent spirits exceeding 400 gallons, was obliged, when proceeding from one district to another, to give to the collector duplicate manifests of the entire cargo of the vessel, one of which manifests was to be certified to by the collector and returned to the master of the vessel, together with a permit authorizing the vessel to proceed to its destination. Masters of licensed vessels bound from one district to another within the same State or from a district in one State to another in an adjoining State, having on board only products of the United States, rum and other ardent spirits exceeding

[1] *U. S. Statutes at Large*, I, 55.

400 gallons excepted, were not required to file manifests or to obtain a permit to sail. When licensed vessels of more than 20 tons were bound from one district to a district in any other State than the same or an adjoining State, the masters were required to file manifests of their entire cargoes and secure permits to sail, in the same manner as if they had cargoes of foreign commodities.

In 1790 the law relating to tonnage duties was revised. The scale of duties fixed the previous year was retained with respect to vessels entering from any foreign port or place. A duty of 6 cents per ton was to be paid on vessels of the United States entered in a district in one State from a district in another State, "other than in an adjoining State on the sea coast, or on a navigable river, having on board goods, wares and merchandise taken in one State to be delivered in another,"[1] but it was not to be paid more than once a year on vessels regularly licensed to engage in the coastwise trade. Upon foreign vessels entered in any district for the purpose of delivering goods consigned from another district a duty of 50 cents a ton was to be paid at each entry.

A brief experience with the act of 1789 concerning the registry and enrollment of vessels showed that the law was not sufficiently explicit in all its details and that a complete revision was necessary. Accordingly on December 31, 1792, a detailed statute[2] was enacted dealing with the registering and recording of vessels, and a few weeks later (February 18, 1793)[3] a law was enacted providing for a more comprehensive regulation of the coastwise trade. By the latter act only enrolled vessels possessing a license to engage in the coastwise trade, and vessels of less than 20 tons not enrolled, but licensed, were to be deemed vessels of the United States entitled to the privileges of vessels employed in the coastwise trade. Until June 1, 1793, vessels were to be enrolled in accordance with the terms of the law of September 1, 1789, but thereafter the qualifications for the enrollment of a vessel should be the same as for registry—that is, only those vessels could be enrolled which were built and owned in the United States; which were not built in the United States but were owned by a citizen or citizens thereof on May 16, 1789, and continued to be so owned thereafter; or which were condemned as prizes or forfeited for breach of the law and belonged wholly to a citizen or citizens of the United States. Registered vessels were permitted to engage in the coastwise trade, but they received a regular license only when their registers were exchanged for certificates of enrollment. Collectors of the customs were authorized to register any enrolled vessel upon the enrollment and license being surrendered. No license for carrying on the coastwise trade was to remain in force after the vessel to which it was granted was sold, altered, or transferred to some other employment. Unregistered vessels, not possessing a license, which might be found engaged in the

[1] *U. S. Statutes at Large*, I, 135. [2] *Ibid.*, 287. [3] *Ibid.*, 305.

coastwise trade, if laden only with goods produced in the United States (distilled spirits excepted), were to be subjected to the same tonnage duties as foreign vessels; if they had on board goods of foreign production or distilled spirits, other than sea-stores, they were to be forfeited. Furthermore, it was provided that, if any enrolled or licensed vessel should proceed on a foreign voyage without its enrollment being exchanged for a register, it should be liable to seizure and forfeiture. The owner and the master of a licensed vessel were required to give bond, varying in amount from $100 to $1,000, according to the size of the vessel, that the vessel would be employed in no trade whereby the revenue of the United States might be defrauded. The master was compelled to take oath that he was a citizen of the United States and that the license received should be used for no other vessel and for no other employment than that for which it was specially granted.

The regulations in regard to the entrance and clearance of vessels engaged in the coastwise trade were similar to those contained in the law of 1789. If a vessel, licensed to carry on coasting trade, bound from a district in one State to a district in the same or adjoining State on the seacoast or on a navigable river, had on board "either distilled spirits in casks exceeding 500 gallons, wine in casks exceeding 250 gallons, or in bottles exceeding 100 dozen, sugar in casks or boxes exceeding 3,000 pounds, tea in chests or boxes exceeding 1,000 pounds, or foreign merchandise in packages, as imported, exceeding in value $400, or goods, wares, or merchandise consisting of such enumerated or other articles of foreign growth or manufacture, or of both, whose aggregate value exceeds $800," the master was required to file with the customs collector duplicate manifests of the whole of "such cargo," and take oath that to the best of his knowledge the foreign goods were legally imported and the duties paid or secured, and that the excise duties on domestic spirits had been paid or secured. The collector certified one of the manifests and issued a permit for the vessel to proceed. On arrival at his destination the master was required, before unloading, to deliver the certified manifest and secure a permit to unload a part or the whole of the cargo, as desired. If a licensed vessel bound from a district in one State to a district in the same or an adjoining State did not have on board a cargo as above described, the master was not obliged to secure a permit to depart or to make any report of his arrival, though he was required to make out a manifest of his cargo, and exhibit it, upon demand, to the proper authorities.

If a vessel licensed to carry on the coastwise trade was bound from any district to a district other than one in the same or an adjoining State on the seacoast or on a navigable river, the master was required to give the collector at the port of departure duplicate manifests of his entire cargo; and if there were any distilled spirits or foreign wares on board, to specify in the manifests the marks, numbers, etc., of every package

containing the same, together with the names and addresses of shippers and consignees. When such manifests were filed, the processes of clearing and entering were the same as described above for vessels bound to a neighboring district with a cargo for which it was necessary to file manifests. Registered vessels in proceeding from district to district were subjected to the same requirements as were enrolled and licensed vessels.

The provisions of the act of 1793 concerning the enrollment and licensing of vessels engaged in the coastwise trade are still in force. Some modifications have been made in the law with respect to the entering and clearing of vessels, but on the whole there has been but little change. An unfortunate feature of the act, which has always persisted, is that it made no provision for collecting information in regard to the volume and value of the coastwise commerce of the country. The manifests required of the masters of vessels contain specific information concerning shipments of foreign merchandise or domestic spirits only, and it is not necessary that the quality or value of these shipments be noted. Under these conditions government officials have never been able to secure information concerning the character or value of the coastwise traffic. It has been possible at some large ports to collect statistics of trade in such commodities as lumber, coal, and cotton, which are shipped in cargo quantities, but for movements of highly diversified merchandise traffic, such as that between New England and New York, it has been impossible to secure a satisfactory statistical record.

DEVELOPMENT OF THE COASTWISE TRADE TO 1830.

Stimulated by the general revival of prosperity and aided by the elimination of the restrictions placed on interstate commerce by adverse State legislation, the coastwise trade of the United States, during the early years of the new government, had a period of vigorous expansion. Foreign commerce became active once more, and the coastwise shipping found employment in the distribution of imported wares and in the collection at the large seaports of the commodities to be exported abroad, while the interchanges of domestic products gradually increased in volume. In 1793, the first year in which the Treasury secured accounts of the tonnage of the merchant marine, the enrolled and licensed vessels of the country had a total tonnage of 122,071, and by 1800 the tonnage had increased to 272,492.

The beginning of the cotton industry in the United States—the spread of cotton culture in the South and the rise of cotton manufacturing in New England—was an event of signal importance in the history of the coastwise trade. In a former chapter it has been explained how, during the colonial period, the coasting trade held a low rank as compared with other branches of American commerce, because

few commodities produced in one section of the country were consumed in large quantities in any other section. There was a certain degree of diversification of industry throughout the colonies, but there was no great intersectional demand for the leading products of the various groups of colonies.

With the establishment of the cotton industry this situation was changed and an intersectional trade began to develop which was to reach enormous proportions. Cotton was to become the pivot about which the major portion of the commerce of the United States, both foreign and domestic, was to revolve for a half century. The influence of cotton-culture on foreign and internal trade has been discussed in former chapters. Its effect on the coastwise trade was even more significant.

In both the foreign and the internal commerce of the South before the Civil War the movement of commodities was largely one-sided; a large volume of exports flowed out to foreign markets, but a comparatively small volume of foreign imports came directly into southern ports; immense quantities of foodstuffs and other domestic products came down the Mississippi River to be sold to the southern planters, but the movement northward on the river was relatively small. In the coastwise trade there was a heavy movement in both directions. Merchandise and manufactured goods of both foreign and domestic productions were carried coastwise from northern to southern cities, and there were large returning cargoes of southern cotton and tobacco, the shipments of the former constantly increasing in volume as manufacturing grew throughout the North. Furthermore, the volume of traffic northward was swelled by the shipments of food products from the Mississippi Valley, which were collected at New Orleans and sent to many points along the Atlantic coast. Until the trunk-line railroads were built to connect the seaboard cities along the Atlantic coast with the region west of the Appalachian Highland, a large part of the surplus farm produce of the central portion of the country found its way to consumers in the Eastern States by way of New Orleans. The treaty with Spain in 1795, by which the Mississippi River was opened and the "right of deposit" secured at New Orleans, and the purchase of Louisiana from Napoleon in 1803, were events of great importance in the development of the coastwise commerce.

Though conditions within the United States were highly favorable to the extensive growth of domestic trade during the first quarter of a century of the national period, the situation created by the European wars, which began in 1793, caused so great a diversion of activity to foreign commerce that the expansion of the coastwise trade was less than it probably would have been, had peace prevailed in Europe. A large portion of the capital of the country was invested in shipping employed in the foreign trade, and for a time the merchant vessels of the United States were the carriers for the entire world.

The following statement of the growth of the tonnage of vessels of the United States employed in the foreign commerce and in the coastwise trade shows the great relative importance of the foreign trade. Though the growth of the tonnage of enrolled and licensed vessels was not so great as that of registered vessels, nevertheless the increase was steady and uninterrupted. During the brief period of peace in Europe from 1801 to 1803 registered shipping declined almost 100,000 tons, but the coasting fleet during the same period increased at a normal rate.

TABLE 38.—*Tonnage of vessels of United States in foreign and coastwise trade, 1793–1810.*

Year.	Foreign trade tonnage.	Coastwise trade tonnage.
1793	367,734	122,071
1795	529,471	184,398
1800	667,107	272,492
1805	744,224	332,663
1810	981,019	405,347

The embargo and non-intercourse acts and other measures by which the United States endeavored to compel Great Britain and France to show a greater degree of respect for the rights of neutral commerce not only put an end to the prosperity of the foreign trade, but also crippled the coastwise trade of the United States. The most important portion of the coastwise commerce still consisted of the distribution of imports and the collection of commodities for export, and when foreign commerce was cut off, the coastwise trade was made to suffer. However, the burden was not so heavy upon the coasting business as upon the foreign trade. Domestic trade in products of the United States was not interdicted, and the volume of exchange in trade of this character was necessarily made larger by the prohibition of commerce with other nations.

The termination of commerce with Great Britain encouraged the development of manufactures in the United States, and a thriving trade arose in the products of the new manufacturing industries and in raw materials. Cotton manufacturing in particular had a notable development, and the trade between the North and South expanded rapidly. Gallatin, in his *Report on Manufactures* in 1810, stated that at the end of the year 1809 he had received reports from 87 cotton mills, 62 of which were in operation, working 31,000 spindles. This probably represented a sixfold increase of cotton manufacturing in the space of four years. In 1811 it was estimated that the investments in cotton mills in the United States amounted to $4,800,000 and that these mills consumed 3,600,000 pounds of cotton, worth $720,000.

The growth of manufacturing stimulated both the local and the long-distance coastwise business along the entire Atlantic seaboard. Besides profiting from the expansion of purely domestic business, a portion of the coasting fleet found remunerative employment by circumventing the

laws restricting foreign trade. Many vessels engaged ostensibly in the coastwise trade sailed to Nova Scotia, Florida, or the West Indies, where their cargoes were sold or transferred to foreign vessels and carried to Europe. Several laws were enacted for the purpose of putting an end to this illicit commerce, but it was impossible to stop it completely.

The War of 1812 virtually put an end to all commerce of the United States carried on by sea. Shortly after the war started, the British Government declared a blockade of the entire coast of the United States with the exception of Massachusetts. An embargo laid by Congress in December 1813 closed the ports of the whole country to trade, and in April 1814 the British blockade was extended to include every port of the United States from New England to Louisiana. British war vessels waited along the coast ready to seize any vessel attempting to carry on commerce with blockaded ports. Occasionally the rigor of the blockade was relaxed, and a small local coastwise trade became possible, but most of the time the risk of capture was too great for any vessel flying the flag of the United States to put to sea. Deprived of maritime commerce, the people of the United States attempted to carry on by land a part of the trade which formerly had been borne by the coastwise fleet, the enormous prices which many articles commanded making possible a wagon trade between points as widely separated as Savannah and Boston. Flour, for example, which sold at Richmond for $4.50 per barrel, brought $11.87 in Boston; the price of rice in Charleston and Savannah was $3 per hundredweight and in Boston $8; upland cotton, which could be bought for 9 cents a pound in Savannah, sold in Boston for 20 cents.[1] The wagon trade, however, was insignificant in volume compared to coastwise commerce carried on in times of peace, and it was with a feeling of great joy that the people witnessed the end of the war and the return of trade to its normal channels.

The greatest lesson which the war taught the people of the United States was the necessity for taking steps to render the nation more nearly self-sufficient. The encouragement of manufacturing industries which could consume raw materials of domestic production and supply at least a portion of the commodities for which it had been customary to rely entirely upon foreign producers, the construction of roads and canals by which internal communication could be carried on, and the building of a navy large enough, at least, to protect the coasting trade—these projects in particular appealed to political leaders as wise measures to be taken for the defence of the people, in case a conflict with a foreign power should again occur. For the first time the people saw the importance of having a greater diversification of industry in the country, and for the first time a definite policy was adopted looking to the

[1] *Niles' Register*, V, 41; see McMaster, *History of the People of the United States*, IV, 218, for a very interesting account of the wagon trade during the war of 1812.

development of domestic commerce and the creation of a home market for domestic products. So strong was the feeling of need for economic self-sufficiency as a means of national defense, that all sections of the country united in supporting measures whereby the desired improvement could be realized. Even Calhoun lent his support to the tariff law of 1816 as the only practicable means of preventing the wealth and vigor of the nation from becoming impaired during a time of war.

Next to the inauguration of the protective tariff policy, the passage of the navigation act of 1817 was the most important part of the new program of economic legislation.[1] Two sections of this act dealt with the coastwise trade: One, which still remains in force, provided "that no goods, wares, or merchandise shall be imported under penalty of forfeiture thereof, from one port in the United States to another port in the United States, in a vessel belonging wholly or in part to a subject of any foreign power;" the other stipulated that the tonnage duty on vessels licensed for the coasting trade should be 6 cents a ton, only if the master and three-fourths of the crew should be proved to be citizens of the United States; otherwise the duty should be 50 cents per ton. By this law foreign vessels were entirely excluded from the coastwise trade, and the building up of a merchant marine owned by domestic capital and manned by citizens was insured.

The abnormal conditions of the foreign trade immediately following the conclusion of peace imparted a great stimulus to the coasting trade. A large part of the tremendous volume of manufactured goods and merchandise which poured into the leading ports of the United States in 1815 and 1816 was loaded on coasting vessels and distributed along the entire seaboard. From Portland to New Orleans the country was flooded with all classes of foreign goods imported chiefly into New York, Boston, Philadelphia, and Baltimore. The infant manufacturing industries were soon stifled, and trade in domestic products languished, but the loss was more than compensated for by the activity in the distribution of imported wares. The industrial and commercial depression which came in the wake of the period of extravagant overtrading brought distress to the coastwise commerce, though the depression does not appear to have been so severe as in most of the other branches of trade and industry. From 1818 until 1825 there were only two years in which there was not an increase in the tonnage of the coastwise fleet, and the total increase for the five years amounted to 90,000 tons.

An event of importance to the coastwise commerce was the enactment of the law of 1819 establishing the "great districts." By this law all customs districts, so far as concerned vessels of more than 20 tons which were regularly licensed to engage in the coastwise trade, were abolished, and in their place the seacoast and navigable rivers

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[1] *U. S. Statutes at Large*, III, 351.

of the United States were divided into "two great districts, the first to include all the districts on the seacoast and navigable rivers between the eastern limits of the United States and the southern limits of Georgia, and the second to include all thé districts on the seacoast and navigable rivers between the river Perdido and the western limits of the United States." After the passage of this act regularly licensed vessels of more than 20 tons burden proceeding from a collection district to another in the same great district, or from a State in one great district to an adjoining State in another great district, were subject to the regulations imposed by the law of February 18, 1793, or vessels trading from one district to another in the same or in an adjoining State, and if proceeding from one great district to another, except when the ports of departure and destination were in adjoining States, were subject to the rules imposed in 1793 on vessels trading from a district in a State to a district not in the same or an adjoining State. The regulations with respect to licensed vessels of less than 20 tons were not changed. In 1822 the newly acquired territory of Florida was designated as a third "great district."

These laws gave a much greater degree of freedom to the coastwise trade. Any enrolled vessel could go from Maine to Georgia without any report of its departure or arrival being made, provided its cargo did not include the commodities listed in the act of 1793. No change was made as to the nature of the manifests required of the masters of vessels, and the difficulty of securing statistical information concerning the coastwise trade became greater than ever.

During the time of recovery from the severe depression of 1818–19, the people of the United States began to give more consideration to problems of purely domestic concern. Before the War of 1812 the most important political questions confronting the nation were problems growing out of foreign relations, and the chief economic interest seemed to be the development of the foreign trade. The time had now come for the people to realize that their paramount economic and political problems were internal and not external; that their absorbing interests were at home and not abroad. The decade from 1820 to 1830 was singularly full of occurrences which indicated that the nation had at last come to realize the new state of affairs. Possibly no other single decade of the history of the country has contained as many events so full of economic significance. The enunciation of the Monroe Doctrine indicated a definite separation from political entanglements with the Old World; the Missouri Compromise marked the opening of a struggle that was to shape political history for half a century; the tariff laws of 1824 and 1828, the completion of the Erie Canal, and the introduction of the steam locomotive evidenced the beginning of a determined effort to develop the resources and industries of the country in such a way that it would achieve economic as well as political independence.

NATURE AND VOLUME OF THE COASTWISE TRADE IN 1830.

With the adoption of the "American system," population increased, manufacturing and agriculture developed, and domestic commerce began to expand with surprising vigor. Of the two branches of domestic trade, the coastwise and the internal, the former was until after the Civil War the more important. The sea offered the best means of communication between the most populous parts of the country, and the value of the traffic carried coastwise was greater than the value of the traffic transported on the railroads, rivers, lakes, and canals. One of the most significant features of the coastwise trade during this period was, that in 1831 the tonnage of enrolled and licensed vessels employed in the coasting trade for the first time exceeded the tonnage of registered vessels employed in the foreign trade.[1] In 1810 the tonnage of the latter was more than twice that of the former. The development of the coastwise trade for a score of years sufficed to give its fleet a position equal to that of the shipping engaged in foreign trade. In only two years since that time, 1856 and 1857, has the tonnage of the coasting fleet been smaller than that of the foreign-trade shipping of the country. Of the exports and imports of the United States in 1831 the percentage carried by shipping belonging to the country was 86.5. Making allowance for the greater number of trips that could be made by the coasting vessels, it may be safely estimated that the value of the coastwise commerce was much greater than that of the foreign trade, which amounted at that time to $185,000,000.

What the general character of the coastwise trade was in 1830 has been indicated before. By this time cotton had become the great product of the South, and from both the South Atlantic States and the Gulf States this commodity was shipped in large quantities to the North Atlantic ports, some of it to be distributed among the cotton manufacturers of the North and some to be exported abroad. Rice, tobacco, and naval stores from the South Atlantic States and sugar and molasses from Louisiana were shipped to northern markets, and large quantities of the produce of the Mississippi Valley—tobacco, whisky, hams, bacon, pickled pork and beef, lard, cheese, butter, flour, corn, and wheat—were transported from New Orleans to all the States along the Atlantic seaboard. From the Northern to the Southern States were shipped manufactured goods and merchandise of all kinds of both foreign and domestic production—dry goods, wearing apparel,

[1] The statistics in the annual *Report of the U. S. Commissioner of Navigation* show that the tonnage employed in the coasting trade first exceeded that employed in the foreign trade in 1821. However, the excess of the former in that year was not real. In 1818 a reduction of over 200,000 tons was made in the registered tonnage by striking off all vessels the registration of which had been granted before 1815, which were supposed to have been condemned, lost at sea, or captured. No correction was made at that time in the enrolled and licensed tonnage, and as a result the statistics were incorrect until 1829, when a correction was made in the tonnage of all classes of vessels. The result was a shrinkage of over 300,000 tons in the tonnage of the coasting fleet, which brought its total to a smaller amount than the tonnage of the registered vessels engaged in foreign trade. It is extremely probable that if both lists had been corrected in 1818, the statistics would have shown the tonnage of the registered shipping to have been greater than that of the coasting fleet each year until 1831.

tools, cotton gins, foodstuffs, household goods, and building material. In addition to this large intersectional trade there was still larger local trade. Each large port on the Gulf and Atlantic coasts was a center for the collection of articles to be shipped away and for the distribution of wares coming in, and each locality had commodities to exchange for the products of neighboring localities. Bulky products, such as lumber and coal, were becoming factors in the coastwise trade, though the range of markets was not as extensive as in later years.

In the commerce of all the leading seaports the coastwise trade was an important factor. New York, with matchless shipping advantages, a direct water route to the West, and superior facilities for financing the movements of both foreign and domestic trade, had already become the commercial and financial capital of the nation. Cheaper freight rates on import traffic enabled the merchants of New York to handle foreign goods for the entire country, and a large part of the exports of other sections were shipped from the harbor of this prosperous city. Every port along the Atlantic and Gulf coasts traded with New York, sending commodities thither to be sold to near and distant consumers, and securing a large variety of imported and domestic goods. Great quantities of cotton came from the Southern States to be sold to the spinners of New England, New York, and Pennsylvania, or to be exported to Europe; a large part of the farm produce pouring in by way of the Erie Canal was shipped coastwise to New England and to the Cotton States, and the manufactured wares of all the Northern States were collected at the wharves of Manhattan Island and reshipped to dozens of domestic markets from Maine to Louisiana. By 1825 the receipts of cotton at New York amounted to over 150,000 bales a year.[1] The arrivals of coasting vessels at the city in that year numbered 4,000 as compared to 1,400 arrivals from foreign ports.[2] In 1828 it was estimated that the clearances from New York to points on Delaware Bay alone amounted to 16,508 tons, and the clearances to points on Chesapeake Bay to 51,000 tons.[3]

Philadelphia was in 1830 the leading manufacturing city of the country, with a foreign trade second only to that of New York. The merchants of this city, too, had built up a trade with all the important seaports on the Altantic and Gulf coasts, shipping out a wide variety of manufactured goods, meat, grain, flour, and some imported goods, and receiving cotton, sugar, molasses, rice, fish, and textiles. It was just at this time that the anthracite-coal trade of Philadelphia was assuming a position of importance in the commerce of the city. The Lehigh and the Schuylkill Rivers had been improved, and thousands of tons of coal were being carried to Philadelphia to be used in iron furnaces and to be shipped coastwise to New York, New England, and occasionally to southern ports. From 1822 to 1830 the coastwise

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[1] *Niles' Register*, XXIX, 1825–26, p. 101. [2] *Ibid.*, XXXIV, 1828, p. 285.
[3] *Ibid.*, XXXV, 1828–29, p. 330.

shipments of coal grew from 200 tons to 63,000 tons.[1] An interesting feature connected with the coal trade was the beginning of the coastwise ice trade from Maine to Philadelphia about 1828. Vessels taking coal to New England returned with cargoes of ice, thus securing a return freight. The ice traffic increased rapidly, though there are no statistics indicating its exact extent.[2]

The coastwise trade of Baltimore was also extensive. Numerous cotton-mills were in operation in the city, as well as rolling-mills and flour-mills, all of which contributed a large volume of products to be distributed to neighboring States. Baltimore was also the center of a large tobacco trade, though the outbound shipments coastwise were small as compared to the foreign exports.

The greater part of the coasting trade of New England centered at Boston. Probably more than one-half of the cotton consumed in the United States was shipped to Boston for distribution among the New England spinners, and in addition to this product the city received hemp, sugar, molasses, tobacco, and naval stores from the South; grain, flour, provisions, and imported goods from New York; agricultural products and coal from Philadelphia; and lumber from Maine. In return, Boston exported coastwise large quantities of manufactured cotton and woolen goods, shoes, furniture, fish, and rum. The growing manufacturing city of Providence purchased large quantities of cotton, foodstuffs, and lumber, and sold manufactures of various kinds. Virtually every port of New England possessed a fishing industry, which was the basis of a local coastwise trade of greater or less extent, most of the business centering around Boston.

In the South Atlantic States, Charleston and Savannah were the leading ports, though Wilmington, Norfolk, and Richmond had each a trade of considerable volume. Cotton and rice made up the major portion of the exports of the South Carolina and Georgia cities, the coastwise shipments going chiefly to New York, Providence, Boston, and Philadelphia, in return for which came grain, flour, provisions, imported goods, and miscellaneous manufactures for the planters of the eastern cotton belt. An eager and strenuous conflict was being waged by these two cities for the wholesale and retail trade of the interior. During the early part of the century Charleston had held first place, but with the introduction of steam navigation on the Savannah River the Georgia port had been able to capture a part of the trade formerly belonging to Charleston merchants and was soon challenging the South Carolina city for the lead.

On the Gulf coast, New Orleans held the undisputed lead in domestic trade and also possessed a greater foreign export trade in domestic products than any other city in the country. Like all other southern seaports, New Orleans received a relatively small proportion of her foreign imports direct from the producing country, securing a large part of them coastwise from the North Atlantic ports, together with cargoes of domestic manufactures.

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[1] Taylor, *Statistics of Coal*, 305. [2] *Ibid.*, XXXIV, 1828, p. 288.

With the settling of Alabama the commerce of Mobile expanded rapidly. A large part of the cotton crop of Alabama was shipped from this port, much of it being carried coastwise to New Orleans and to the Northern States, and shipments of lumber to other points in the Southern States and to the West Indies, and of staves to New York and to other domestic as well as foreign markets, helped swell the volume of the commerce of this growing city.

THE COASTWISE TRADE FROM 1830 TO 1850.

During the two decades following 1830 there was little change in the general character of the coastwise trade of the Atlantic coast—that is, in the nature of the traffic exchanged and in the direction of the movement of the commodities of the different sections of the country. But while there was little alteration in the general character of the trade, there was an enormous increase in its volume. As the population of the country increased and thousands of acres of new farm lands in both the North and South were occupied, and as manufacturing and mining industries expanded, a constantly growing quantity of products was available for exchange. Each seaport endeavored to improve its transportation system to the interior, and as railways and canals multiplied in number, an ever-rising volume of commodities was carried to the coast to be transported abroad or to other ports of the United States. The sectional diversification of industry became more pronounced than before, creating a greater degree of mutual dependence between different portions of the country and adding to the volume of intersectional trade. Foreign trade rose in value from $134,000,000 in 1830 to $318,000,000 in 1850, and since the major portion of the imports continued to enter northern harbors, the coastwise commerce was constantly augmented by the work of distribution. By far the largest part of the southern products which were marketed in the North was carried by the coasting fleet, and there was a continuation of the movement of farm produce from a large area of the Mississippi Valley to the Atlantic States by way of New Orleans.

The canal and river system connecting New York Bay with the Gulf of Mexico did not figure greatly as a competitor for the traffic between the East and the South, nor did the eastward water-route capture a very large amount of traffic from the Mississippi River. By far the largest part of the traffic flowing between the East and West over the Erie Canal represented new trade and was an addition to the total domestic commerce of the country. It was not until adequate railway connection was established between the Mississippi and the Atlantic seaboard in the sixth decade of the century that a large volume of the commerce of the Central States was actually diverted from the southern to the eastern coast, and it was not until after the Civil War that the overland movement by rail from the South to the North began to cut heavily into the coastwise trade.[1]

[1] See chap. x.

The best index of the growth of the coastwise trade from 1830 to 1850 was the increase of the tonnage of the coasting fleet from 516,979 tons to 1,797,825 tons. Of the tonnage in 1850, 1,755,797 tons consisted of enrolled vessels of more than 20 tons burden, and 42,028 tons consisted of small licensed craft. A part of this tonnage was made up of vessels engaged in the trade of the Great Lakes and the western rivers. The enrolled tonnage of the lake district in 1830 amounted to about 9,000 tons. In 1850 the enrolled tonnage of the lakes and western rivers was 300,000 tons, and on the Pacific coast there was a fleet of enrolled and licensed vessels amounting to 2,500 tons. By far the largest part of the coastwise fleet, however, operated on the Gulf and Atlantic coasts.[1]

While there are no statistics of the coastwise trade for comparison with those of the foreign trade, there may be found various accounts which indicate the conditon of the trade of certain cities. New York, with the best transportation system to the interior and a superior financial and mercantile organization, easily led in both domestic and foreign trade. Over two-thirds of the imports of the nation in the decades 1830 to 1850 entered the harbor of New York, and a large part of the surplus products of New England, the Middle Atlantic States, and the lake district were collected at this city, all helping to swell the coastwise business and giving New York the unquestioned leadership in the distribution of merchandise to domestic markets. The cotton receipts at New York by 1850 were exceeded by the receipts at only two other cities in the country, New Orleans and Mobile, and only three cities, the two just named and Charleston, had foreign cotton exports exceeding those of the great northern seaport. The receipts of cotton at New York in 1846 amounted to 311,418 bales, of which 134,506 bales were exported abroad.[2] Coal from Philadelphia and Baltimore, sugar and molasses from New Orleans, rice from South Carolina and Georgia, tobacco from Virginia, and manufactured goods from all the new England and Middle States made up a large part of the coastwise imports of New York.[3]

The growth of the coastwise business at Boston is shown by the increase of the entrances and clearances of coastwise vessels from 5,244 in 1830 to 9,064 in 1850.[4] These statistics are of course inaccurate,

[1]These statistics, taken from the annual *Report of the U. S. Commissioner of Navigation*, are not entirely reliable. Many registered, enrolled, and licensed vessels were continued in the records of tonnage, after they were lost or condemned. No important correction was made between 1829 and 1856. Hence the figures showing the annual tonnage of the merchant marine are unquestionably too large, the amount of error increasing each succeeding year.

[2]*Hunt's Merchants' Magazine*, XV, 1846, p. 396; XVII, 1847, p. 410. The receipts of cotton at New York from various southern points (in 1846) were as follows:

	bales.		*bales.*
New Orleans	54,076	South Carolina	57,442
Mobile	44,714	North Carolina	9,306
Florida	56,196	Texas	7,457
Georgia	62,807	Virginia	2,927

[3]*Ibid.*, XXII, 1850, p. 331. [4]*Ibid.*, VI, 1842, p. 184; XX, 1849, p. 214; XXIV, 1851, p. 225.

as many vessels from both near and distant ports entered and cleared, for which no record was kept. The receipts of cotton at Boston increased from 46,203 bales in 1830[1] to 270,593 bales in 1849, and the receipts of flour, a large part of which entered coastwise, grew during the same period from 309,997 barrels to 987,988 barrels. New England by 1850 had made great progress in manufacturing, and raw materials for factories and food and fuel for the rapidly growing urban population were secured in a large measure from other sections of the country, in exchange for manufactured goods, fish, ice, and lumber.

The cities of Philadelphia and Baltimore had a much greater degree of prosperity in domestic than in foreign trade. The shipments of anthracite coal from Philadelphia rose from 63,000 tons in 1830 to 1,075,000 in 1850.[2] The vessel tonnage employed in the transportation of Philadelphia coal was greater than the tonnage employed in the transportation of any other single domestic product. The Susquehanna and Tidewater Canal gave Baltimore a share of the anthracite coal trade, and the opening of the Cumberland coal field, made possible by railway and canal construction, gave Baltimore also a large coastwise trade in bituminous coal. A description of the commerce of Philadelphia contained in *Hunt's Merchants' Magazine*[3] in 1846 contains a typical picture of the coastwise trade of the cities of the Middle States during this period.

". . . a considerable proportion of the foreign merchandise which supplies its [Philadelphia's] warehouses is brought into the port of New York, and is thence transported to its harbor, either by railroads and steamboats, or by vessels in the coastwise trade. Many foreign goods, besides manufactures of cotton and wool, shoes, bonnets, fish, oil, and other products of the industry of the more northern States, are received from New England, and a large amount of goods from England, France, China, and the principal nations of Europe, is here landed from New York. To the neighboring State of New Jersey she sends coal, lime, and iron, as well as various other products of her own manufactories, and her coal, flour, wheat, and corn to New York and the New England States. Besides, she transports to the adjoining States the products of New England, the manufactures of cotton, wool, leather, and iron. Agricultural products are introduced from New Jersey, and Delaware sends its flour, cornmeal, wheat, and corn to the port of Philadelphia. Although the exports to Virginia are moderate in their amount, yet Philadelphia receives from that State tobacco, cotton yarn, wheat, corn, and bituminous coal. Naval stores, cotton yarn, cotton, and lumber are received from North Carolina, cotton and rice from South Carolina and Georgia, and cargoes of cotton from Alabama.

"A considerable amount of cotton, sugar, and molasses is received from Louisiana, the products of that State, which, in return, imports a portion of the manufactures of Pennsylvania and New England for its own consumption. Heavy goods, to a large amount, are, however, sent from the port of Philadelphia to the Western States, by the way of New Orleans, and there is here received, in return by the same track, considerable quantities of cotton, tobacco, hemp, pork, lard, lead, and the like products from those States."

[1] *Niles' Register*, XLIV, 1833, p. 40. [2] Taylor, *Statistics of Coal*, 405. [3] XIV, 1846, p. 428.

None of the South Atlantic ports experienced the degree of prosperity enjoyed during the two decades from 1830 to 1850 by the cities of the North. The eastern part of the cotton-belt failed signally to keep pace in material development with other sections of the country, the increase of population being very small, and the expansion in industry and commerce relatively unimportant. Charleston and Savannah continued their struggle for commercial supremacy, neither city gaining a decisive advantage. In both the foreign and coastwise trade of these cities the outbound shipments of cotton, rice, and naval stores grew slightly in volume, and there was a corresponding increase in the receipts of manufactured goods and merchandise. Savannah, handicapped on account of being located on a somewhat shallow river several miles from the sea, had a smaller foreign trade than Charleston. In fact, part of the cotton marketed at Savannah was carried coastwise to Charleston for exportation.

In contrast to the lack of development in the eastern cotton belt, the western belt prospered highly. As the production of cotton and sugar increased, and the shipments down the Mississippi River rose in volume, the foreign and coastwise trade of both New Orleans and Mobile rapidly expanded. The coastwise shipments of cotton from New Orleans grew from 63,000 bales in 1831 to 214,000 bales in 1850[1] and those from Mobile increased from 54,000 bales to 129,000 bales during the same period.[2] The coastwise sugar and molasses trade of New Orleans grew at even a more rapid rate than the cotton trade;[3] the shipments of grain and provisions did not grow as rapidly, not because of any falling off in receipts, but because of greater local consumption. Lumber continued to occupy an important place in the trade of Mobile, the coastwise shipments amounting in 1850 to nearly 5,000,000 feet.[4] A large part of the food supplies entering Mobile came from New Orleans, while manufactured goods and merchandise were purchased chiefly in northern markets.

It is, unfortunately, impossible to give a statistical statement of the total value of coastwise trade at any year. An estimate in Andrews's *Report on Colonial and Lake Trade* gives the gross value of the various branches of domestic commerce in 1852 as follows: Coasting trade, \$3,319,039,732; canal commerce, \$1,188,000,000; railway commerce, \$1,081,500,000. The "coasting trade" included the commerce of the lakes and western rivers, which, according to an estimate for 1851, amounted in value to \$653,976,202. Deducting this sum, the commerce carried on along the seacoast had a value of about \$2,600,000,000. It is of interest to note that the coastwise trade was considered by far

[1] *Hunt's Merchants' Magazine*, IX, 1843, p. 375; XIX, 1848, p. 503; XXIII, 1850, p. 536; Hall, *Statistics of the West*, 280.

[2] *Ibid.*, XIII, 1845, p. 422; XXI, 1849, p. 555; *DeBow's Review*, XX, 1856, p. 446.

[3] *Hunt's Merchants' Magazine*, XV, 1846, p. 494; XXIII, 1850, p. 659.

[4] *Ibid.*, XXV, 1851, p. 736.

the most valuable and important portion of the domestic trade and that its estimated value was more than six times the value of the foreign trade of the nation.

THE DECADE FROM 1850 TO 1860.

The most prominent feature of the history of the coastwise trade between 1850 and 1860 was the diversion of a large amount of traffic from the sea to the railroad. In the northern section of the country four trunk-line railways had, by 1852, established through connection with the Mississippi Valley and the basin of the Great Lakes. No sooner was this accomplished than the agricultural and mineral products of the Central States, which had formerly found their way to markets in the East by way of New Orleans, were diverted from the Mississippi River and shipped directly eastward over the new transportation routes. This change constituted a distinct loss both to the river and to the coastwise commerce. In the South a similar transformation was effected. The westward extension of the railway lines reaching inland from Charleston and Savannah made it possible for the planters of South Carolina and Georgia to secure by rail the food supplies which previously had come coastwise from New Orleans or from Philadelphia and Baltimore. However, the loss to the coastwise trade occasioned by this change was partially compensated for by the opportunity now given to Charleston and Savannah to compete with New Orleans and with such inland cities as St. Louis, Louisville, and Cincinnati for the merchandise trade of the people of Alabama and Tennessee. The westbound shipments made by the merchants of the South Atlantic ports were first received coastwise from the North, and to whatever extent they competed successfully against the goods coming from St. Louis and the cities on the Ohio River, a distinct gain was made in the coasting trade of the Atlantic seaboard.

Though these were the most striking instances of railway competition, they were by no means the only ones. All along the Atlantic coast the local traffic between seaboard cities was beginning to abandon the water route for the safer and more speedy method of rail transportation. Abundant signs were in evidence that the time was coming when the coastwise trade, so long the most important factor in domestic commerce, was to be relegated to an inferior position. Even the shipments of cotton by rail from the South to the North began during this decade, as well as the shipment by rail of merchandise and foodstuffs from the North to the South. The water routes between the two sections of the country were being gradually paralleled by rail lines, and competition between rival routes was already beginning to result in the development of the peculiar "basing-point" system of railway rates in southern territory.

Notwithstanding the encroachment of the railroad upon transportation by water, however, the coasting trade during the decade from 1850 to 1860 had a large growth. The foreign imports of the country grew from $174,000,000 to $354,000,000 and exports from $144,000,000 to $334,000,000. The city of New York alone imported more in 1860 than the entire United States imported in 1850. The addition to the coastwise trade resulting from the growth of imports would probably have been enough to compensate for any loss due to the changes in the movement of domestic trade. The number of bales of domestic cotton consumed in northern mills rose from 404,000 in 1851 to 760,000 in 1859,[1] and there was a constant increase of the quantity of northern manufactures consumed in Southern States. The coastwise coal trade doubled in volume, the ice trade of New England grew rapidly, and the shipment in the late winter and early spring of all kinds of vegetables and fruits from such points as Norfolk, Richmond, and Wilmington (North Carolina) became an important factor in the trade of these ports. Probably the best index of the growth of the coastwise trade during this decade was the increase in the tonnage of the merchant marine employed. Twice during the decade extensive corrections were made in the government statistics by striking off a large number of vessels which had been lost or condemned but had not been stricken from the list, but notwithstanding these corrections the fleet of enrolled vessels on the Atlantic coast grew from 1,450,000 tons to 2,100,000 tons, the largest increase made in a single decade up to that time.

A notable feature of the decade was the growth in the number of the steamship lines engaged in coastwise trade. By 1832 New York had regular semi-monthly communication with Charleston, Savannah, and Florida by the New York and Charleston United States Mail Steamship Line, which had four vessels in commission, with an aggregate tonnage of 6,200. Two steamers of this same line offered regular service between New York and New Orleans, while the New York and Alabama Steamship Company, with one vessel, afforded competing service from New York to New Orleans, Mobile, and Havana. The New York and Savannah Steamship Company, with two steamers in commission and a third under construction in 1852, offered weekly service between New York and Savannah, and weekly accommodation, connecting New York, Petersburg, Norfolk, and Richmond, was afforded by the New York and Virginia Steamship Company. In all there were 17 steamers engaged in regular service between New York and the South in 1852, the ports reached being eight in number—Charleston, Mobile, New Orleans, Savannah, Jacksonville, Richmond, Petersburg, and Norfolk.[2] Lines were established between Charleston and ports in Georgia, Florida, and North Carolina; a daily service was offered between Mobile and New Orleans; and vessels plied regularly between

[1] *Statistical Abstract of the United States, 1912*, p. 778. [2] *DeBow's Review*, XIV, 1852, p. 576.

New Orleans and Galveston and other Texas ports. At the end of the decade New York was connected by the Atlantic and Pacific Steamship Company with New Orleans, Havana, Aspinwall, and California, and other important lines, such as the Southern Steamship Company and the Cromwell Line, offered service touching at all the important points south of New York.[1] In New England the regular coastwise service was even more highly developed than along the other parts of the coast.

In the long train of events and circumstances leading up to the Civil War the coastwise trade occupied an interesting position. To the southern leaders the coastwise trade seemed continually to present concrete evidence of what they believed to be their great grievance, namely, that the North profited at the expense of the South. Why should the South, contributing two-thirds of the exports of the nation, be compelled to buy its necessities from northern merchants, market its crops through northern brokers and bankers, and pay tribute to northern ship-owners? For the most part, the South attributed to the action of the Federal Government its condition of dependence, and furthermore felt not only that it was being discriminated against, but that, inasmuch as most of the revenue of the Federal Government was derived ultimately from southern consumers, the South was being compelled to support the government by which its oppression was accomplished. It is an all but universal failing to attribute economic conditions to political policies, and in the United States the tendency to do this has always been strong. The people of the South felt that if the Union were dissolved there would be a satisfactory readjustment of their economic situation, and they looked upon their large and valuable commerce as a prize which would secure ready European aid for their cause.[2] The idea that their great coastwise commerce could be transformed into direct trade with a foreign ally added to their determination to open the conflict and gave them an increased measure of confidence as to its issue.

[1]*Hunt's Merchants' Magazine*, XLIII, 1860, p. 110.
[2]*Callender, Economic History of the United States*, 124.

CHAPTER XX.

THE COASTWISE TRADE OF ATLANTIC AND GULF COASTS SINCE 1860.

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The outbreak of the Civil War put a stop to the coastwise trade between the North and the South and, with the exception of a small trade carried on by northern shippers at a few southern ports captured and held by the Union forces, there was virtually no commercial intercourse between the warring sections of the country for a period of four years.

The South, moreover, besides being deprived of trade with the North, was also compelled to witness the almost total suspension of the local coastwise trade and the large foreign trade, both of which were effectively crippled by the blockading vessels of the Federal navy.

The North lost the valuable coastwise trade previously carried on with the Southern States, but the loss was partially compensated for by the vigorous growth of the foreign trade. There is little information available concerning the local coastwise trade of the Northern States during the war. The partial stagnation in the cotton-manufacturing industry resulting from the interruption of cotton shipments from the South doubtless injured local trade somewhat, but it is likely that the total volume of the local business increased by reason of the growth of other manufacturing industries and the prosperous state of the foreign trade.

CHANGES IN THE COASTWISE TRADE AFTER THE CIVIL WAR.

The end of the war brought an immediate resumption of domestic trade, and though it was apparent that some time must elapse before the Southern States would recover sufficiently from the devastation and havoc wrought by the conflict to regain the commercial prosperity of former years, yet the energy with which productive activities were undertaken indicated that recovery would be rapid. It was thought in some quarters that the domestic trade would, for the most part, return to the channels in which it had flowed previous to the war, and that the coastwise trade would again assume a position of dominant importance, but this was not to be. Even before the war broke out there had been ample evidence that the railroad was to become the most important factor in domestic trade. While the war was in progress, the effectiveness of the railroad had been displayed in the carriage to the Atlantic

seaboard of western farm produce for which the market in the South had been destroyed. No sooner was the war over than a period of great activity in railway construction began, and within a remarkably short time all parts of the country, especially in the region east of the Mississippi River, were linked together by a network of railway lines which became active and successful competitors for the transportation of a large portion of the traffic carried by the coastwise fleet.

The competition of the railroads brought about a fundamental change in the character of the coastwise trade along the Atlantic coast. While transportation by natural waterways is cheaper than transportation by rail, yet the cost of carriage of most merchandise traffic adds so little to the price that merchants and consumers can, as a general rule, well afford to pay the somewhat higher charge for rail transportation in return for the greater speed and safety with which traffic can be moved. As a result, where there is a choice of rail and water routes, by far the largest portion of valuable traffic is shipped by rail. However, a water route is often used, where available, for the carriage of bulky freight, the price of which is strongly affected by the cost of transportation. As a result of the competition of the railroads with the carriers by water along the Atlantic coast, the merchandise traffic for the most part abandoned the water route, leaving the freight moving coastwise to consist largely of bulky raw materials such as coal, lumber, iron and steel, cement, stone, and sand.

It must not be supposed that the coastwise trade diminished in volume. As a matter of fact, it has grown steadily since the Civil War, but the rate of increase has been smaller than it was before the war, and the growth has been almost insignificant as compared with the tremendous expansion of the traffic carried by rail. Neither must it be thought that the coastwise trade has suffered the entire loss of the general merchandise traffic. Line service has been maintained between all the important ports of the Atlantic coast, and large quantities of general merchandise freight, as well as a large number of passengers, are carried annually by the vessels operated in such lines. In fact, the miscellaneous manufactured goods and general merchandise, together with the cotton, canned goods, ice, naval stores, and farm products carried by the regular steamship lines constitute, from the standpoint of value, the largest portion of the coastwise traffic, though in volume this traffic is exceeded by the bulky freight carried both by line and chartered vessels. The total traffic is by no means small. The Census Report on *Transportation by Water* shows that in 1906 the total volume of coastwise traffic on the Atlantic and Gulf coasts, exclusive of harbor traffic, was 63,773,169 tons, of which over 41,000,000 tons consisted of coal, lumber, stone, sand, and miscellaneous minerals and mineral products.[1] So far, however, had the coastwise traffic of the Atlantic

[1] U. S. Census Report, *Transportation by Water, 1906*, pp. 73, 75.

and Gulf coasts fallen in relative rank, that it was only one-fourteenth as great as the volume of traffic originating on the railways of the country. Even the traffic of the Great Lakes was larger than that comprised in the coastwise trade of the Atlantic seaboard.[1]

For a few years following 1870 there was a keen competitive struggle between the railroads and the coastwise shipping. The carriers by water were aided slightly by the law enacted in 1870 abolishing federal tonnage duties on all vessels engaged in the coastwise trade. However, as was the case in most of the rate wars among competing railroads, the struggle for traffic was brought to a close by the formation of rate agreements among competing lines or by their consolidation. The process of consolidation of coastwise lines with railroads has been carried to such an extent that there are but few important coastwise steamship lines now in operation (1914) in which a controlling interest is not possessed by some railroad company or by a shipping consolidation which has close operating and financial connections with various large railway corporations.[2]

At no place was the failure of the coastwise trade to regain the position it had occupied before the Civil War more marked than at New Orleans. From this city the eastern railroads took virtually all of the trade which had been carried on between the Central and Eastern States by way of the Mississippi River and the Gulf of Mexico. Furthermore, the railroads penetrating the western cotton belt from the east and north made large incursions into the trade of New Orleans. St. Louis merchants sold provisions and supplies to planters living within 100 miles of New Orleans; on one side the cotton trade of the Gulf port was secured by growing railroad centers such as Memphis and Vicksburg, and on the other side similar inroads were made by the cities of the South Atlantic States. In 1858 almost one-half of the cotton crop of the country was marketed through New Orleans; in 1870 only 33 per cent. The receipts of meat at New Orleans in 1867–68 were only 709,000 pounds, as compared to 3,803,500 pounds in 1859–60, and there was a shrinkage in the receipts of all other western products.[3] As the South recovered from the effects of the war and railways were constructed radiating from New Orleans, the cotton traffic of the city again reached large proportions, and the coastwise trade in that commodity once more became large; but New Orleans has never regained the wide range of commercial activity possessed before the war.

At other ports on both the Gulf and the South Atlantic coast the competition of the railroad wrought similar changes. The merchandise trade was diverted from the coastwise lines, and though the cotton

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[1]Harbor traffic not included.

[2]S. S. Huebner, *Report on Steamship Agreements and Affiliations in the American Domestic and Foreign Trade*: (House Report, Committee on the Merchant Marine and Fisheries, 63 Cong., 1914, IV, 403.)

[3]*Report on Internal Commerce, 1886*, p. 528.

trade eventually expanded to even a larger volume than before the war, the proportion of cotton transported by water gradually decreased.[1] A significant change in the character of the trade of the South Atlantic States was noted by the secretary of the Southern Railway and Steamship Association in an article on "The Development of the Traffic between the Southern States and the Northern and Northwestern States," written about 1885.[2] He said:

"Until 1878 or 1880 the business from the West to the South and Southwest was done almost exclusively in grain and meat, thus giving rise to the expression that 'the South had its meat-house and grain-crib in the West.'

"Prior to about 1878, the eastern cities furnished to the South all her furniture, agricultural implements, and goods of like character. Now fully seventy-five per cent of the above articles are furnished by the West, also large quantities of paints, some boots, shoes, and groceries, and nearly all the oils. Indeed, with the exception of dry goods, notions, etc., the West is an active competitor with the East in supplying the South; and in groceries New Orleans is a competitor with the East."

This change in the movement of a traffic deprived the ports of Georgia and South Carolina of large business and cut deeply into the merchandise traffic of the coastwise lines. In the North the competition of the railways was just as effective. Pennsylvania and Virginia coal, New England lumber, and ice, stone, sand, brick, and other bulky freight continued to traverse the water route, but other traffic was taken over by the railroads.

DEVELOPMENT 1880 TO 1900.

There was little substantial change in the general character of the coastwise trade from 1880 to 1900, unless it was the increasing degree of control of coastwise lines by railway corporations and the increase in the volume of bulky freight as compared to merchandise traffic. Probably the best index of the progress of the coastwise trade is a statement of the increase of the tonnage of the vessels employed. In 1870 the enrolled coastwise tonnage of the Gulf and Atlantic seaboard was approximately 1,425,000 tons. Ten years later the total had fallen to 1,365,000 tons. By 1890 the fleet had increased to 1,775,000 tons and by 1900 to 2,100,000 tons. New York retained the leading position as a center of coastwise traffic, both because of her great prominence as a center for export and import trade, and because of her importance as a consuming and distributing center of domestic commodities. The coal trade of Philadelphia overshadowed the trade which that city had in other products. In New England, lumber, ice, stone, and other bulky freight composed the major portion of the outgoing traffic. Baltimore maintained a valuable trade in coal and fishery products; and the local trade of many points on Chesapeake

[1]See chap. x.

[2]*Report on Internal Commerce, 1886*, p. 679.

Bay continued to center at the Maryland port. Norfolk (Virginia) and Wilmington (North Carolina) probably made a greater relative advance in maritime commerce, both domestic and foreign, than any other Southern cities. Savannah and Charleston, benefited by improved railroad communication with the interior and by the improvement of their harbors, each became the possessor of larger commerce than ever.

TABLE 39.—*Coastwise vessels required by law to report to customs officers, entered and cleared at ports on the Gulf Coast from and to ports north of Cape Sable.*

	Entered.				Cleared.			
	Steam.		Sailing.		Steam.		Sailing.	
	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.
1900:								
New Orleans	228	502,355	21	15,772	228	502,659	14	8,259
Galveston	93	215,981	59	52,263	94	216,442	33	25,458
Mobile	22	31,366	9	3,635	18	27,757	31	16,255
1906:								
New Orleans	190	366,488	10	10,787	201	377,908	10	13,117
Galveston	503	1,219,650	122	244,617	489	1,089,076	126	250,497
Mobile	56	115,024	18	9,210	55	124,760	64	43,928
Total for customs districts of New Orleans, Galveston, Mobile, Apalachicola, Tampa, and Pensacola:								
1894	308	636,104	140	72,910	269	605,712	180	101,659
1900	359	772,012	136	100,055	358	768,950	201	137,874
1906	759	1,714,402	204	302,114	782	1,644,279	312	406,097

Little attempt was made by the Government—in fact under the laws which existed little attempt could be made—to secure statistics of the coastwise trade. In the annual volumes on *Commerce and Navigation of the United States* there were published from 1875 to 1880 statistics of the entrances and clearances of vessels engaged in coastwise commerce, but since only a small portion of the vessels were required by law to make any report of arrival or departure, the statistics presented "a very incomplete view of the entire movements of tonnage in the coastwise trade."[1] From 1898 to 1906 statistics of the movements of tonnage at Gulf ports to or from ports north of Cape Sable were published, it being possible to record a portion of such movements because the ports connected were, previous to 1906, in separate "great districts." Table 39, which shows the entrances and clearances for all ports and for each of the three most important ports for a few years, gives a partial indication of the growth of the coastwise trade.[2] The great

[1]*Commerce and Navigation of the United States, 1880,* p. 836.
[2]Compiled from *Commerce and Navigation of the United States, 1900,* p. 1111; *1906,* p. 1273.

increase between 1900 and 1906 was due in a large measure to the opening of the Texas oil-fields, the products of which were shipped coastwise from Port Arthur and other Texas points to eastern refineries.

In 1906 a law was enacted changing the "great districts." The seacoasts of the United States and Porto Rico were divided into five great districts—

"the first to include all the collection districts of the seaports and navigable rivers between the Northern boundary of the State of Maine and the Southern boundary of the State of Texas; the second to consist of the island of Porto Rico; the third to include the collection districts on the seacoasts and navigable rivers between the Southern boundary of the State of California and the Northern boundary of the State of Washington; the fourth to consist of the Territory of Alaska; the fifth to consist of the Territory of Hawaii."

By this law the three great districts existing since 1822 were consolidated into one, and it is no longer necessary for masters of vessels of more than 20 tons, which are bound between ports on the eastern coast of the country and which carry no commodities listed in the act of 1793, to make any report of arrival or departure. Statistical material such as that contained in the preceding table is consequently no longer available.

An act of Congress of February 21, 1891, requires owners and masters of vessels using a waterway which is being improved by the Federal Government to furnish the officers in charge of the work of improvement with a statement of the vessels and the passengers, freight, and tonnage. Under the provisions of this act the Army engineers have been able to collect a considerable fund of information concerning the coastwise traffic. The results of their work are published annually in the *Report of the Chief of Engineers*. Even these statistics, however, do not give a comprehensive picture of the coastwise trade. The purpose of collecting information is to show the amount of commerce carried by particular waterways. Duplications are unavoidable, accurate manifests can not be secured, often no distinction is made between foreign and domestic trade, and at many points along the coast no statistics are collected at all. Some of the statistics contained in these documents and in others will be shown in subsequent paragraphs.

GROWTH OF COASTWISE TRADE FROM 1900 TO 1912.

Since 1900 the coastwise trade of the Atlantic and Gulf coasts has grown considerably, though the expansion has been less than the increase of the traffic of the eastern railways. The tonnage of the vessels employed in the coasting trade, enrolled in the customs districts of the Atlantic and Gulf coasts in 1914, amounted to 2,958,000 tons, an increase of more than 850,000, or of 40 per cent of the tonnage of 1900. Of licensed vessels of less than 20 tons burden engaged in the coasting trade of the Atlantic seaboard in 1914 the number was 7,201, with a

total burden of 90,127 tons. In the following paragraphs some statistical material collected from a variety of sources is presented to show the general character of the coastwise trade of the leading seaports of the Atlantic and Gulf coasts. Where possible, information regarding the trade in different years has been given, in order that a view of the progress of the trade might be given. It must be remembered that in most instances the statistics are estimates, based partly on information collected by commercial and maritime exchanges, and partly on data collected by custom-house officials and Army engineers.

At New York, the chief center of the coastwise trade, the entrances from other Atlantic ports in 1902 and 1911 were as shown in table 40.[1]

TABLE 40.—*Coastwise entrances at New York, 1902 and 1911.*

	1902	1911
From Eastern ports.....	3,988	2,189
From Southern ports....	3,969	3,029
Total...........	7,957	5,218

Though, from the standpoint of volume, coal and lumber are the two most important articles entering the New York coastwise trade, shipments of merchandise to and from all other ports along the Atlantic seaboard, cargoes of cotton, sugar, tobacco, naval stores, and petroleum from the South, and of ice and stone from New England, make up a large part of the traffic entering and leaving the city. In 1902 the coastwise shipments of merchandise to and from New England ports amounted to 675,896 tons, and the receipts from New England amounted to 302,694 tons.[2] In 1911 the shipments were 1,113,923 tons and the receipts 907,054 tons.[3] Boston led all other New England cities in the trade with New York, though a valuable trade centered at such ports as Portland, New Haven, Fall River, Newport, Providence, and New London. The coastwise coal trade of New York gives employment to a larger tonnage of shipping than the trade in any other commodity. In 1902 more than 10,000,000 tons of coal, mostly anthracite, was shipped from the coal-docks of the city.[4] By 1911 the coal shipments reached over 25,000,000 tons, of which about 10,750,000 tons was bituminous.[5] About half of the coal carried coastwise from New York is taken to points in the immediate vicinity of the city, and the remainder is taken for the most part to New England cities, Boston and New Haven being the largest customers. Lumber is another important item in the coasting trade of New York. The receipts of southern

[1]*Monthly Summary of Commerce and Finance, Dec. 1902*, p. 1817; Dec. 1911, p. 982.
[2]*Ibid.*, Jan. 1903, p. 2075. [3]*Ibid.*, Dec. 1911, p. 981. [4]*Ibid.*, Jan. 1903, p. 2066.
[5]*Ibid.*, Dec. 1911, p. 980.

pine in 1902 amounted to 475,000,000 feet,[1] and in 1911 to 396,000,000 feet.[2] Nearly every port in the Carolinas, Georgia, and Florida shares in the New York trade in southern pine. From New England also considerable quantities of lumber, piling, laths, and material for boxes and crates are secured each year.

The arrivals of coastwise vessels at Boston in 1902 and 1911 are given in table 41.[3]

TABLE 41.—*Coastwise entrances at Boston, 1902 and 1911.*

	1902	1911
From Southern ports....	5,030	6,502
From Eastern ports.....	3,486	3,738
Total...........	8,516	10,240
Tonnage........	7,291,931	11,905,887

The outbound traffic of Boston consists mainly of merchandise and manufactured goods, while the inbound traffic is made up largely of coal, lumber, cotton, vegetables, petroleum, and general merchandise. The coal receipts in 1912 amounted to 6,338,802 tons, the largest portion coming from New York.[4]

At Philadelphia the coastwise arrivals in 1902 numbered 3,749 and in 1911, 4,955.[5] The total value of the domestic trade by water at Philadelphia in 1912, including a large amount of purely local trade, was $1,062,000,000.[6] The coal trade of Philadelphia amounts to about 7,000,000 tons annually, about one-third of the shipments being anthracite and two-thirds bituminous.[2]

At Baltimore the coastwise arrivals increased in number from 1,084 in 1902 to 1,402 in 1911, and the clearances from 1,107 to 1,744.[7] Bituminous coal constitutes an important item of the Baltimore coasting trade, the shipments in 1911 amounting to 4,002,809 tons.[2] Only a small quantity of anthracite is shipped from this port. From Newport News and Norfolk several million tons of bituminous coal are also shipped each year.

In 1912 the value of the coastwise traffic entering Charleston was $22,583,435 and the value of the outbound traffic $33,055,176.[8] The incoming freight at this city is made up chiefly of general merchandise and manufactures, and the outbound shipments consist largely of cotton goods, cotton, and lumber. The value of the coastwise trade of

[1] *Monthly Summary of Commerce and Finance, Dec. 1902*, p. 1816.
[2] *Ibid.*, Dec. 1911, p. 981. [3] *Ibid.*, Dec. 1902, p. 1817; Dec. 1911, p. 982.
[4] *Report of U. S. Chief of Engineers, 1913*, II, 1551.
[5] *Monthly Summary of Commerce and Finance, Dec. 1902*, p. 1818; Dec. 1911, p. 982.
[6] *Report of U. S. Chief of Engineers, 1913*, II, 1754.
[7] *Monthly Summary of Commerce and Finance, Dec. 1902*, p. 1817; Dec. 1911, p. 983.
[8] *Report of U. S. Chief of Engineers, 1913*, II, 2009.

Savannah in 1912 was $199,000,000, the receipts being valued at $113,416,394 and the shipments at $85,135,532.[1] The traffic is of the same general character as that of Charleston.

Galveston, by reason of the great trade in Texas cotton, now has the largest coastwise trade of any seaport on the Gulf. In 1912 the coastwise shipments from Galveston, consisting chiefly of cotton, ore, copper, rice, and lumber, had a value of $86,086,343, and the receipts, composed largely of manufactures, lumber, iron and steel products, and miscellaneous manufactures, were valued at $62,305,533.[2] New Orleans still possesses a large and valuable trade. The chief shipments from this city are cotton, sugar, molasses, and lumber, and the chief receipts are manufactured goods, oil, iron and steel products, and all kinds of manufactured goods. At Mobile the coastwise shipments of cotton and lumber and the receipts of merchandise and food products from ports on both the Atlantic and Gulf coasts make up a considerable part of the domestic commerce of the city.

On the whole, the coastwise commerce of the Atlantic and Gulf coasts of the United States is not so large as might be expected in view of the conditions of production and the cheapness of water transportation. The control of numerous water lines by railroad corporations has greatly limited competition among existing water and rail carriers, and has made it more difficult for independent water lines to enter the field. Destructive methods of competition have been employed by the railroads against the water lines.[3] Little attempt has been made in the past to regulate the operation of water lines, and the relations of coastwise carriers with each other and with the railroads. By the Panama Canal act of August 24, 1912, the Interstate Commerce Commission was given authority to regulate interstate transportation involving the carriage of property by rail and water to the extent of having power to compel the establishment of physical connection between rail and water carriers, to establish through routes and joint rates over rail and water lines, and to establish the proportional rail rate to the ports from or to which goods are transported by a carrier by water; and in 1913 a movement was started in Congress to enact a law giving the Interstate Commerce Commission a larger degree of authority, especially with reference to the regulation of the competitive practices to be employed by rail and water carriers. The outbreak of the European War in 1914 caused the consideration of the proposed legislation to be postponed.

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[1] *Report of U. S. Chief of Engineers, 1913*, II, 2022. [2] *Ibid.*, 2242.

[3] For discussion of the control of competition among domestic water carriers see the Report of the Committee on the Merchant Marine and Fisheries on *Steamship Agreements and Affiliations in the American Domestic and Foreign Trade*, IV, pt. II. (House Report, 63 Cong., 1914.)

CHAPTER XXI.

THE COASTWISE TRADE OF THE PACIFIC COAST AND THE INTERCOASTAL TRADE.

Until after the United States acquired possession of California in 1848 the commerce of that portion of the Pacific coast between the present northern and southern boundaries of the United States was of small volume. The country contained but few people and was for the most part in an early stage of economic development. In the Oregon country the only commerce of importance was that carried on in connection with the operations of Russian, British, and American fur companies, which established posts at various points along the coast or navigable streams during the latter part of the eighteenth and early part of the nineteenth century. The only industries of importance in California were agriculture and stock-raising. This province had by 1848 built up a small trade with England and the United States, exchanging small quantities of wool, hides, tallow, grain, and fruit for manufactured goods and miscellaneous merchandise. For the most part, the commerce was carried on by vessels engaged in the trade with the Hawaiian Islands and the Orient, or by whaling vessels which visited the Pacific hunting-grounds.

The interest of the people of the United States in the region along the Pacific coast was greatly stimulated by the controversy with Great Britain over the Oregon territory, which was settled in 1846, and by the occupation of California by the United States troops during the Mexican War. An important question with which the Government had to deal was that of establishing a more effective system of transportation and communication between the Atlantic and Pacific coasts. In 1846 a treaty was negotiated with New Granada in which the Government of New Granada guaranteed to the Government of the United States—

"that the right of way or transit across the Isthmus of Panama upon any modes of communication that now exist, or that may be hereafter constructed, shall be open and free to the Government and citizens of the United States, and for the transportation of any articles of produce, manufactures, or merchandise, of lawful commerce, belonging to the citizens of the United States; that no tolls or charges shall be levied or collected upon the citizens of the United States, or their said merchandise thus passing over a road or canal that may be made by the Government of New Granada, or by the authority of the same, than is, under like circumstances, levied upon and collected from the Granadian citizens."[1]

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[1]*Treaties of the United States*, Senate Ex. Doc. No. 36, 41 Cong., 3 sess., p. 186.

BEGINNINGS OF THE INTERCOASTAL TRADE.

On March 3, 1847, Congress enacted a law authorizing the Secretary of the Navy to enter into contracts for the carriage of the mail between New York and Oregon by way of the Isthmus of Panama, and in pursuance of this law a contract was negotiated in April for semi-monthly steamship service from New York to Charleston, New Orleans, Havana, and Chagres; and in November another contract was entered into for monthly service between Panama and Astoria.[1] The construction of the steamships for these lines was commenced at once and late in 1848 vessels of both the Atlantic and the Pacific fleet were ready for use. To facilitate still further the exchange of commodities between the two coasts of the country, Congress on May 27, 1848, passed an act permitting any registered vessel engaged in trade between domestic ports to stop and trade at one or more foreign ports during the course of its voyage. Under this law registered shipping could trade between Atlantic and Pacific ports of the United States, and touch at ports of the West Indies, Mexico, or South American countries.

Meanwhile, during the course of these preparations for more effective intercoastal communication, before the first vessel of the subsidized steamship lines was ready to sail and even before the ratification of the treaty of Guadalupe Hidalgo, by which Mexico ceded California to the United States, an event occurred which was completely to revolutionize the economic condition of the Pacific coast. This was the discovery of gold near Sutter's Fort, California, in January 1848. No sooner had the news of the discovery been definitely announced than thousands of people dropped their ordinary pursuits and prepared to hasten to the West. Some of the hurrying throngs went overland, and still more went by water, either around Cape Horn or via the Isthmus of Panama. In 1849 no less than 698 vessels cleared for California from various ports on the Atlantic coast, carrying passengers, provisions, tools, and all kinds of equipment for the mining camps.[2] Sailing-vessels were used in great numbers, and many large steamships were soon built to care for the expanding traffic. Two transisthmian routes of travel were soon opened, one by way of Panama and the other across Nicaragua. A railroad was started across Panama in 1850 and was completed in 1855. In 1850 the Clayton-Bulwer treaty was negotiated between England and the United States, providing for the protection of any canal which might be constructed across the Isthmus of Panama, and enumerating the rights and obligations of the two governments with respect to the canal. When the Gadsden treaty with Mexico was negotiated in 1853, a clause was included giving to the United States the right of transit across the Isthmus of Tehuantepec over a plank

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[1] *Senate Doc.* No. 50, 32 Cong. 1 sess.
[2] *Hunt's Merchants' Magazine*, XXII, 1850, p. 208.

and rail road, the construction of which the Mexican Government had just authorized.[1]

Table 42 shows the arrivals of vessels at San Francisco during the years immediately following the gold rush and gives an idea of the great volume of trade which sprang into existence.[2]

TABLE 42.—*Entrances at San Francisco, 1850–1853.*

Year ending June 30—	U. S. vessels.		Foreign vessels.	
	No.	Tonnage.	No.	Tonnage.
1850......	140	47,950	355	82,914
1851......	379	115,779	482	142,349
1852......	342	145,893	376	115,459
1853......	216	120,211	444	137,817

For the most part, the American vessels came from ports of Central or South America, with passengers and cargoes from the Atlantic coast of the United States, and the arrivals indicate consequently the state of the intercoastal trade. San Francisco advanced in a few months from a position of relative insignificance as a port to a position of high importance, standing next to New York by 1850 with respect to the number of vessels entered and cleared. In 1849 there were 12 steamers making regular trips between San Francisco and Panama, a larger number than were employed between New York and Liverpool and New York and Havre combined.[3] The freight brought in from the Eastern States and from abroad included a wide variety of articles—clothing, provisions, tools, machinery, furniture, explosives, tents, drugs, hardware, and general supplies of many kinds.

While gold was the most important product of California and the chief export from the standpoint of value, the other resources of the State were by no means neglected. Disappointed gold-seekers were quick to turn to other opportunities presented for acquiring wealth, and a stream of products from ranches and farms—wool, hides, skins, wheat, and barley—helped swell the volume of trade. By 1860 California was sending almost 3,000,000 pounds of wool each year to New York.[4] The growth of population in California from 92,597 in 1850 to 379,994 in 1860 was an index of the rapid economic development of the State.

COASTWISE TRADE OF THE PACIFIC COAST.

The sudden expansion of population in California gave animation to industry along the entire Pacific coast. South of San Francisco the small ports—San Diego, San Pedro, Santa Barbara, and Monterey—

[1] *Treaties of the United States*, Ex. Doc. No. 36, 41 Cong., 3 sess., p. 575.
[2] Compiled from *Commerce and Navigation of United States*, 1850–1853.
[3] *Hunt's Merchants' Magazine*, XXIV, 1851, p. 549. [4] *Ibid.*, XLV, 1861, p. 6.

acquired a thriving business, most of their trade consisting of the exchange of grain and provisions for the supplies brought from the Atlantic States to San Francisco. Northward the development of the forest districts around Humboldt Bay and in Oregon and Washington met the demand for lumber for ship-building and for the construction operations of the rising western cities. Oregon in particular had a steady growth, the population rising from 13,294 in 1850[1] to 52,465 in 1860. The number and acreage of farms in Oregon quickly advanced and each year large quantities of flour, bacon, fruit, and cattle were sent to San Francisco. Gold was discovered in Washington in 1857, along the Fraser River, and there was a rush to that section similar to that made to San Francisco a few years before. Deposits of coal were found in Washington near Puget Sound, and this valuable mineral, together with lumber, made possible the development of a thriving coastwise trade with San Francisco. The total coastwise trade of the Pacific coast, including the commerce of the rivers, was sufficient in 1860 to give employment to a fleet of enrolled and licensed vessels of a total tonnage of 37,000 tons.[2]

After 1860 there was a steady advance in the economic development of the Pacific region. California's population rose from 864,694 in 1880 to 2,377,549 in 1910. The gold mines of California soon reached the maximum of their output, and though they continued to be a source of wealth, they were of small importance as compared to the ranches, farms, vineyards, and forests of the State. In Oregon lumbering and agriculture remained the most important industries and the same was true of Washington. Following 1883, when the Northern Pacific Railroad was completed, both Washington and Oregon developed with great rapidity. The population of the former State increased from 75,116 in 1880 to 1,141,990 in 1910, and the population of the latter advanced from 174,768 to 672,765 during the same period. Washington became the leading lumber-producing State of the country, and also took high rank in the production of wheat.

The coastwise trade carried on among the three Pacific States constantly increased in volume. As was the case on the Atlantic coast, the water traffic came to consist chiefly of heavy bulky commodities, lumber being by far the most important single item.

The steamship lines put in operation along the coast, however, of which there were 8 important ones by 1913, made possible the development of a large water-borne merchandise freight and passenger service. The increase in the tonnage of vessels enrolled and licensed at the customs districts of the Pacific coast from 110,000 tons in 1870 to 307,000 tons in 1900 and to 637,000 tons in 1914 was a good index of the growth of the coastwise trade among the three Pacific States.[3]

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[1]Including Washington in 1850.
[2]*Commerce and Navigation of the United States, 1860*, p. 659.
[3]*Ibid.*, 1870, p. 752; *Report of U. S. Commissioner of Navigation, 1900*, p 363; 1914, p. 156.

San Francisco maintained its position as the leading trade center on the Pacific coast for both foreign and domestic trade. The tonnage of vessels arriving at this port coastwise in 1911 was over 4,200,000 tons, and the tonnage of departing vessels 4,640,000 tons.[1] The receipts of lumber, the most important item in the coastwise trade, amounted in 1911 to nearly 1,000,000,000 feet.[2] Pine and fir from Washington and Oregon and redwood from the Humboldt Bay district made up most of the lumber trade. In addition to lumber, the inbound coastwise traffic at San Francisco included large quantities of flour, wheat, barley, and oats from other ports along the coast, and several hundred thousand tons of coal each year from Seattle, Tacoma, and other Washington ports. The outbound traffic from San Francisco was made up mainly of lumber, oil, manufactured goods, and general merchandise.

The chief ports to be developed on Puget Sound were Seattle and Tacoma. The value of the coastwise shipments from Seattle in 1911 was given by the harbor-master as $39,286,000, and the value of the receipts as $29,080,000.[3] The outbound coastwise traffic is made up chiefly of lumber, grain, and coal, and receipts consist of oil, cement, iron and its manufactures, sugar, salt, and all kinds of general merchandise.[3] At Portland, the chief shipping center of Oregon, a trade similar to that of the Puget Sound ports was built up, with the exception that there were no shipments of coal. The manufacture of flour became an important industry in Portland, and each year thousands of barrels of flour entered the shipments to domestic and foreign markets.

The city of Los Angeles by 1914 was a close rival of San Francisco as a commercial and industrial center. At the Port of Los Angeles, formerly named San Pedro, a good harbor was constructed and a coastwise trade similar to that of San Francisco was built up, the inbound traffic consisting largely of lumber and provisions and the outbound traffic being made up of oil, manufactured articles, and general merchandise.

INTERCOASTAL TRADE, 1869 TO 1913.

The commerce by water routes between the States on the Atlantic and Pacific coast was greatly reduced by the competition of the transcontinental railroads, the first of which, the Union Pacific, was completed in 1869; and though a portion of the intercoastal trade continued to be carried on around Cape Horn or by way of the Isthmus of Panama after the railroads were constructed to the coast, by far the largest part of the trade soon abandoned the water routes. In 1870 the shipments from New York to San Francisco via the Isthmus of Panama were valued at $15,300,000, and the return shipments over the same route were valued at $3,150,000.[4] By 1880 the value of the two streams of

[1] *Monthly Summary of Commerce and Finance, Dec. 1911*, p. 989. [2] *Ibid.*, 990.
[3] *Ibid.*, 991. [4] *Commerce and Navigation of the United States, 1870*, p. 672.

traffic had fallen to $2,600,000 and $2,850,000 respectively. The traffic in both directions increased somewhat after 1890, though it never attained the value reached before the beginning of railway competition. In 1910 the west-bound traffic by way of Panama had a value of $4,244,000 and the east-bound traffic a value of $3,590,000,[1] and in 1913 the value of the two movements were respectively $11,323,000 and $6,875,000.[2] Wool and wine held a leading position in the traffic from the Pacific coast, while the return shipments were made up largely of miscellaneous manufactured wares. It was estimated that in 1909, of the west-bound traffic between the Atlantic and Pacific coasts, 89.5 per cent moved by rail and only 10.5 per cent, by water,[3] and of the east-bound traffic in 1911 the railroads carried 95 per cent and the water carriers 5 per cent.[4] The preponderant position of the railroads in the intercoastal traffic was maintained not altogether on account of their natural advantages. From 1874 until 1907 the transcontinental railroad companies either controlled the steamship lines operating between the two coasts by way of the Isthmus of Panama, or by a consistent policy of competition kept the traffic of the water carriers down to a relatively small volume.

The intercoastal trade around Cape Horn likewise had but little growth from 1890 to 1913, as is shown by table 43, which shows the movement of vessels between the two coasts by this route.[5]

TABLE 43.—*Movement of vessels between Atlantic and Pacific ports of the United States via Cape Horn, selected years 1891 to 1913.*

	1891		1896		1900		1910		1913	
	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.
Atlantic ports:										
Cleared from....	62	108,206	15	28,946	21	39,487	11	30,143	16	35,437
Entered at......	16	26,275	8	13,667	4	8,216	14	30,307	4	9,506
Pacific ports:										
Cleared from....	14	23,812	25	53,143	7	12,642	11	25,201	1	2,052
Entered at......	59	98,996	37	71,090	18	36,428	28	87,004	23	67,147

In 1907 a third route for intercoastal trade was opened, when the American-Hawaiian Steamship Company, which had formerly run its vessels by way of the Straits of Magellan, began to ship its traffic from ocean to ocean over the railway across the Isthmus of Tehuantepec. The traffic by this route soon attained a considerable volume, the west-bound shipments increasing in value from $5,500,000 in 1907 to $62,400,000 in 1913, and the east-bound shipments increasing from

[1]*Commerce and Navigation of the United States, 1910*, p. 1438.
[2]*Monthly Summary of Commerce and Finance, June 1913*, pp. 1376, 1377.
[3]Johnson, *Panama Canal Traffic and Tolls*, 54.
[4]*Ibid.*, 58. [5]*Commerce and Navigation of the United States, 1900*, p. 1111; 1913, p. 876.

$5,880,000 to $32,000,000 during the same period.[1] The west-bound traffic consisted chiefly of manufactured goods, while the most important item of the east-bound shipments was Hawaiian sugar destined for the refineries of Philadelphia and New York.

An event of great importance in the intercoastal trade was the opening of the Panama Canal in 1914, the construction of which was begun by the United States Government in 1904. This great waterway, built at a cost of $375,000,000, was constructed primarily to assist the intercoastal trade and to add to the efficiency of the United States navy. The costs of transportation had for a long time restricted the volume of trade between the eastern and western sections of the country, but the canal has made possible the greatest freedom of interchange of commodities produced in both sections. Even before the opening of the canal preparations were made to take advantage of the commercial opportunities which the canal offered. New ships were built, new docks were constructed, and new markets were sought.

The effect of the canal upon the intercoastal coastwise trade was immediately apparent. Six steamship lines with 49 vessels began operating coastwise through the canal, and vessels owned or chartered by shippers were used to a large extent in transporting bulk cargoes of lumber, oil, and coal. During the first year of the canal's operation, the intercoastal shipments via the canal averaged 175,000 tons of cargo monthly. This was a much larger traffic than had been predicted for the first year, and it indicated clearly that with the opening of the Panama Canal the intercoastal trade had entered upon a new era.

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[1]*Commerce and Navigation of the United States 1907*, p. 1308; *Monthly Summary of Commerce and Finance, June 1913*, p. 1376. Traffic includes shipments to and from Hawaii.